

Kauffman Foundation 2016 State of Entrepreneurship Address

Wendy Guillies

President and CEO

Ewing Marion Kauffman Foundation

February 17, 2016

Good afternoon and thank you for joining us for our seventh annual State of Entrepreneurship event.

Today we are releasing an online book titled [The New Entrepreneurial Growth Agenda](#) that lays out pathways for economic growth. The book grows out of a gathering we organized last summer with many of the country's leading thinkers. Those experts offer in-depth perspectives on entrepreneurial growth and policy prescriptions to drive it.

I'll tell you more about that soon, but first let me acknowledge some special guests with us today.

We are honored to welcome Congressman Steve Chabot, who is chairman of the House Small Business Committee. Chairman Chabot will make a few remarks after I speak. Thank you for joining us today.

I also want to recognize Bob Bennett, a former U.S. senator from Utah, and Dan Glickman, a former congressman from Kansas and later Secretary of Agriculture. They will be part of two panels that follow my address.

Bloomberg View columnist Paula Dwyer will moderate both discussions, so look forward to some rousing conversations. Welcome, Paula. And thank you to Bloomberg Media for being our media partner today.

Before going any further, I'd like to say a few words about the person who made this event possible, and indeed makes all of our work at the Kauffman Foundation possible. Ewing Marion Kauffman was a self-made man whose 100th birthday would have been this September. He was passionate about education for our most at-risk children, and about entrepreneurship for anyone who wanted to follow the dream of starting a new venture. Taken together, through his focus on education and entrepreneurship, Mr. Kauffman wanted to help individuals become productive, self-sufficient members of society.

He also was passionate about his hometown, which is why he brought the Royals to Kansas City in 1969. Today, the team plays in Kauffman Stadium and as many of you probably know, they won the World Series last year – for the first time in 30 years. Their success galvanized the Kansas City region – an estimated 800,000 people came to the victory parade. And the team regularly won games with an innovative style of play that would have made Mr. Kauffman proud.

While the Royals' pitchers and catchers begin reporting to spring training tomorrow, our focus today is the state of entrepreneurship in America.

We see a number of encouraging indicators for entrepreneurship, but I'd like to start with some of the causes for concern. Consider this: The rate of new business

creation in the United States today is about 50 percent lower than it was in the 1980s. 50 percent!

There are a variety of theories about the reasons for the decline, but we know it feeds on itself – as fewer people have experience working at startups, fewer, in turn, are motivated to launch one of their own.

Let me mention another reason for concern. It's well-established that young, high-growth firms like Uber and Airbnb are a principal source of job creation and productivity. And while media coverage of the U.S. tech sector would lead you to believe these companies are ubiquitous, the reality is that there are fewer of them than in the past, and they appear to be growing slower.

But more encouraging are several signs that the United States is on the verge of an entrepreneurial boom. Entrepreneurs are transforming large portions of the economy, including banking, automobiles, insurance, and health care. As these industries and others like them get disrupted, we're going to see new sectors emerge that are ripe for entrepreneurs. And the barriers to entrepreneurship are going to continue falling, driven by the spread of software, higher computing power and cheaper server storage. Further waves of technological change in robotics and artificial intelligence suggest that even greater entrepreneurial opportunities await us.

Another reason for optimism is that the quality of new businesses appears to be improving. And there's evidence that existing companies are creating hospitable

environments for employees to become “intra-preneurs.” While that may mean fewer absolute numbers of entrepreneurs, it can also mean established companies initiate more innovation.

While we have near-term concerns, we believe over the long term that the rate of entrepreneurship will rebound. Part of this is demography. The United States is about to experience a surge of labor market entry thanks to the millennial generation, and as millennials approach the “peak age” for business creation—their late 30s and early 40s—there’s likely to be a boost in startup activity.

A key question going forward will be whether public policy supports this next era of entrepreneurship...or interferes with it. Our new book, the New Entrepreneurial Growth Agenda, offers a range of ideas and recommendations about how to renew entrepreneurship. I’d like to highlight a few.

First, let’s think about the moment of entry. We often think that entrepreneurs simply need MORE: more money, more resources, more whatever. And that is often true. But they might also need LESS: Less cost to start, less cost to experiment—essentially less cost to try.

Maybe we need to borrow an idea from France—that’s right, I just said France—the country from which we adopted the word “entrepreneur.” France has, for several years, allowed an extension of unemployment insurance for individuals starting a company—and business creation jumped as a result. But what is more surprising is

that productivity increased and the companies that started were *quality* companies in terms of growth.

But starting a business is only one part of the entrepreneurial equation—growth businesses are the biggest drivers of jobs and revenues. Public policy already attempts to help entrepreneurs through regulatory exemptions, loan guarantees, subsidies and other programs. In many cases, however, government policies are tied to size thresholds—and this can present a significant speed bump to fast-growing companies. We should consider a regulatory approach that is not solely based on firm size but also takes into account company age. Let's not create incentives against growth.

Likewise, while government may give with one hand, it can take away with the other. Many regulations protect incumbent businesses and thus skew the playing field against entrepreneurs. The Kauffman Foundation has been funding research into antitrust and rent-seeking and other topics in search of ways to help government lose its incumbent bias. It's one thing for public policy to seek ways to give more to entrepreneurs; it's much harder politically for public policy to stop protecting incumbents at the expense of entrepreneurs.

Finally, a few weeks ago, we learned that the Estonian government intends to create a new startup visa to enable immigrant entrepreneurs to stay and create jobs. By my count, this brings to 15 the number of countries with some form of a startup visa. And the U.S. is not among them. In the global race for entrepreneurial talent, America is letting other nations define the course.

While better policy alone will not necessarily lead to more entrepreneurial success, there are specific actions policymakers can take to usher in this new era.

We believe these recommendations and others contained in the New Entrepreneurial Growth Agenda can help lay the intellectual groundwork for renewing the country's entrepreneurial spirit—a renewal that will mean the creation of new companies and new economic opportunities for people in the United States and throughout the world.

Thank you again for coming today.