

ENTREPRENEURSHIP POLICY DIGEST

FEBRUARY 19, 2014



Dane Stangler, Kauffman vice president of Research and Policy and author of the Foundation's New Entrepreneurial Growth Agenda initiative, introduced the panel of "Wonks" and "Pundits."



The panel of policy experts was moderated by Josh Mendelsohn, co-founder of Engine (seated in the middle).

STIMULATING ENTREPRENEURIAL GROWTH

Entrepreneurship is one of the few things politicians across the country can agree on as something to be promoted. New companies, young companies, and especially growing companies are essential to job growth, wage growth, and rising standards of living.

Unfortunately, despite its headline-grabbing popularity, trends in entrepreneurship seem to be moving in the wrong direction. For several years, the rate of business creation in the United States has been flat or falling. Meanwhile, overall economic dynamism—the productive turnover of businesses and jobs—has been declining in both the overall economy and the high-tech sector, which has traditionally been the most dynamic part of the economy. Negative trends in entrepreneurship may be related to other discouraging economic trends, including stagnant wages and low economic mobility.

To address these challenges, the Kauffman Foundation announced a two-year initiative to develop a New Entrepreneurial Growth Agenda at its annual State of Entrepreneurship Address held this month at the National Press Club in Washington, D.C. To kick it off, we brought together several leading thinkers in a policy discussion modeled on an entrepreneurial idea pitch competition. We asked the "Washington Wonks" to pitch their best idea for stimulating a new era of entrepreneurial growth. In turn, the "Policy Pundits" asked questions, suggested changes, and judged the promise of each idea. In the end, after audience questions, we opened it up for online voting.

HIGHLIGHTS OF THE IDEAS THAT WERE DISCUSSED

Welcoming Foreign-Born Entrepreneurs: The Startup Visa Donald Marron, *director of Economic Policy Initiatives, Urban Institute*

Thousands of people from around the world want to come to the United States and start companies that will create jobs for Americans and generate tax revenues. Yet Marron noted that, even as several other countries welcome these immigrant entrepreneurs, the United States has not, and our laws actually prevent many from coming here. Existing visa categories are insufficient to do this, so Marron advocated for a new Startup Visa available for H-1B visa holders, foreign students, and others who demonstrate tangible commitment and progress.



In response to questions from the Pundits, Marron noted that, short of inclusion in immigration reform, a Startup Visa could be enacted as an economic growth measure. Based on anecdotes and the demand shown for H-1B visas, Marron estimated high demand for a new Startup Visa. To overcome potential problems with selection, Bo Cutter proposed making a market by selling tradable rights in Startup Visas to venture firms.

(Continued)

THE POLICY PUNDITS

Bo Cutter, *senior fellow and director of the Next American Economy Project, Roosevelt Institute*

Rana Foroohar, *assistant managing editor and columnist, Time*

Christopher Schroeder, *U.S. internet executive and venture investor*

(Stimulating Entrepreneurial Growth continued)

Protecting the Environment for Innovation: A Regulatory Improvement Commission

Will Marshall, *founder and president, Progressive Policy Institute*



Regulatory accumulation is a challenge for the American economy because, even if new regulations help support market competition, the unexamined buildup of regulations can be a severe burden, especially for entrepreneurs. Based on the Defense Department's Base Realignment and Closure Commission, Marshall proposed a Regulatory Improvement Commission, an independent panel that would periodically review regulations and propose reforms to Congress for an up or down vote.

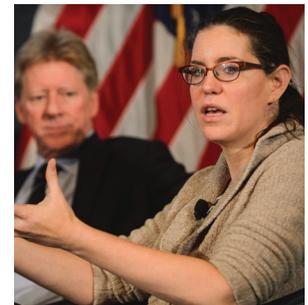
The Pundits wondered whether this Commission would be able to make a dent given political deadlock. Incentive alignment issues—between the regulators and the regulated—and the absence of a clear metric and financial benefit also were raised. Nonetheless, entrepreneurs often cite regulatory burdens as a major challenge to growing their companies.



Tom McDonnell, president and CEO of the Kauffman Foundation, presented the State of Entrepreneurship address, titled, "Toward America's New Entrepreneurial Growth Agenda."

Back-to-work Program Through Payroll Tax Exemptions

Megan McArdle, *columnist, Bloomberg View, and author of The Up Side of Down*



Even though the unemployment rate has steadily fallen over the past three years, roughly one-third of the unemployed have been out of work for longer than six months. This represents a substantial share of human capital disconnected from the economy. To address this, and give a shot in the arm to economic growth, McArdle suggested a monthly payroll tax exemption for employers hiring from this pool. By lowering the cost of labor, this should be a benefit to both businesses and workers.

While praising an idea that would address one of the country's most pressing problems, the Policy Pundits wondered whether this tax exemption would overcome questions about skill degradation. There were additional questions about the ongoing cost of this program, but two of the Pundits chose McArdle's idea as their favorite, an experiment worth trying.



Attendees asked the panel questions and voted for their favorite idea, along with viewers watching the live stream.

THE AUDIENCE FAVORITE

Both the live stream audience and those in attendance at the National Press Club voted for Will Marshall's Regulatory Improvement Commission.

FOR MORE INFORMATION

Read the Kauffman Foundation's complete New Entrepreneurship Growth Agenda and watch the Wonks and Pundits debate on video at www.kauffman.org/SOE2014.



Ewing Marion
KAUFFMAN
Foundation

4801 Rockhill Road Kansas City, Missouri 64110 816-932-1000 www.kauffman.org

About the Kauffman Foundation The Ewing Marion Kauffman Foundation is a private, nonpartisan foundation that aims to foster economic independence by advancing educational achievement and entrepreneurial success. For more information, visit www.kauffman.org, and follow the Foundation on [www.twitter.com/kauffmanfdn](https://twitter.com/kauffmanfdn) and www.facebook.com/kauffmanfdn.