I'm reasonably sure that chiefexecutive.net's annual listing of "Best/Worst States for Business" isn't most people's go-to source for information comparing various states' business climates. Nonetheless, the website's annual survey just came out, and the Sacramento Bee is covering it as a story (with a promise of more coverage to come). California — as usual — came out last, and Texas has maintained its number-one ranking. "No one in his right mind would start a new manufacturing concern here," said one California CEO, according to the website. The article — which doesn't even pretend to objectivity about California — squarely blames environmental regulations in particular for the state's purported poor business climate, including regulations that haven't even impacted the state's economy yet one way or the other:

> the Golden State seems uniquely oblivious to the effect its labor and other regulations are having on its innovative and growth-oriented Silicon Valley. Job growth in the Valley has flatlined. Firms keep their HQs there, but pursue growth in friendlier states. Google, Intel, Cisco and other companies locate new plants in states such as Arizona, Utah, Texas, Virginia or North Dakota.
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> Sacramento seems to take perverse delight in job-killing legislation, of which the pair of bills known as California's "Green Chemistry Initiative" that former Gov. Arnold Schwarzenegger signed into law in September 2008 serve as an example. The regulations mandated that "manufacturers seek safer alternatives to toxic chemicals in their products, and create tough governmental responses for lack of compliance." When the 92-page final set of commands was issued, the "green community" demanded a rewrite with even tougher requirements. Writing in the *Washington Examiner*, Chapman University Law professor Hugh Hewitt said that the new rules will mandate testing and labeling changes on tens of thousands of products, likely triggering product recalls. "Take whatever you think is the worst regulatory regime out there, and expand it exponentially."
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> Then there is the state's carbon emission law (AB 32), which the Small Business Roundtable and PRI say will cost half a million in foregone jobs in 2011 and up to 1.3 million jobs by 2020. What's more, it is by no means certain the law will reduce carbon emissions since it only applies to California.

Is this news? I don't know. The Small Business Roundtable study cited by the website, purporting to show catastrophic economic impacts from AB 32, has been shown to be thoroughly unreliable, and the law hasn't even been implemented yet for the most part, making claims that the law has already made the state a bad place to do business rather bizarre. And Hugh Hewitt's diatribe about green chemistry provides no evidence at all to support its wild claims, especially since implementation of the Green Chemistry law has barely begun, with no final regulations yet issued or soon to be issued. On the other hand, the CEOs have spoken, and when have America's CEOs ever been wrong about anything before?

But this conclusion certainly would be news to the venture capital community, and to the executives of start-up companies, who don't seem to be hampered by excessive government regulation in California. As California State Treasurer Bill Lockyer noted in Capitol Weekly,

> California towers above Texas and all other states in venture capital investment. In 2010, California had 1,089 deals worth $12 billion. Texas? Less than 300 deals and less than $2.5 billion. From 1999-2009, California's real GDP grew by 27.2 percent, compared to Texas' 25.9 percent. From 2002-10, California created more jobs than Texas in the following manufacturing sectors – semiconductors, computers, communications equipment, and medical equipment and other durable goods. As a percentage of what businesses produce, California takes less in taxes than Texas (4.7 percent, compared to 4.9 percent).

Reporting in the Los Angeles Times adds to the positive story about California:

> "You have companies that have been around for a number of years and have weathered the storm and are actually generating revenue with very promising technologies," said Mark Sogomian, a partner and Los Angeles clean-tech leader at Ernst & Young. "That's enticing to the venture capital community, which believes that the sector can grow significantly."
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> In the uncontested lead since at least 2005, California had by far the most deals — 30, compared with seven in Massachusetts. The state's clean-tech companies attracted $637 million in investment in this year's first

quarter, up nearly 42% from a year earlier.

So who should we believe: anecdotes and broad, unsupported conclusions that yet-to-be-implemented laws are somehow harming California's economy, or evidence that venture capital is betting on California's future? I'll go with the evidence. There's no question that California has been hit hard by the recession and has been slow to recover job growth; but I have little doubt that the state is, and will in the future be, a good place to do business, thanks largely to the cleantech industries we are fostering. Claims to the contrary seem to me to be transparent, self-interested efforts to sway public opinion against important regulatory initiatives.