

## REFERENCES

1. The data and conclusions in this introduction come from: Federman, M. N., Harrington, D. E., & Krynski, K. J. (2006). The impact of state licensing regulations on low-skilled immigrants: The case of Vietnamese manicurists. *American Economic Review*, 96(2), 237-241. The paper is available at: [https://www.aeaweb.org/assa/2006/0106\\_1430\\_0802.pdf](https://www.aeaweb.org/assa/2006/0106_1430_0802.pdf)
2. Ibid, p. 3.
3. Ibid, p. 5.
4. Ibid, p. 9.
5. There are some notable exceptions that hint at the importance of subdividing the broad class of data on entrepreneurs, and some studies that even go so far as to drill down into specific industries and ethnic classes to discover what insights such an exploration can yield. They include: Adams, A. F., Jackson, J. D., & Ekelund, R. B. (2002). Occupational licensing of a credence good: The regulation of midwifery. *Southern Economic Journal*, 69(3), 659-675; Carpenter, C. G., & Stephenson, E. F. (2006). The 150-hour rule as a barrier to entering public accountancy. *Journal of Labor Research*, 27(1), 115-126; Federman, M. N., Harrington, D. E., & Krynski, K. J. (2006). The impact of state licensing regulations on low-skilled immigrants: The case of Vietnamese manicurists. *American Economic Review*, 96(2), 237-241; Jackson, R. E. (2006). Post-graduate educational requirements and entry into the CPA profession. *Journal of Labor Research*, 27(1), 101-114; Jacob, J., & Murray, D. (2006). Supply-side effects of the 150-hour educational requirement to CPA licensure. *Journal of Regulatory Economics*, 30(2), 159-178; Kleiner and Todd, 2007; Angrist and Guryan, 2008; Dorsey, S. (1983). Occupational licensing and minorities. *Law and Human Behavior*, 7(2-3), 171-181; Federman, et al., 2006; Harrington, D. E., & Treber, J. (2009). *Designed to exclude*. Arlington, VA: Institute for Justice; Kleiner, M. M., & Krueger, A. B. (2008). *The prevalence and effects of occupational licensing*. Cambridge, MA: National Bureau of Economic Research.
6. See Kauffman Foundation Index of Entrepreneurial Activity, various years, available at: <http://www.kauffman.org/what-we-do/research/kauffman-index-of-entrepreneurial-activity>
7. Ibid.
8. Low-income survey respondents were defined as those who were within the bottom-two income quintiles in each state. This was deemed preferable to federal poverty line since that number is a static dollar amount and applying that as a survey filter to high-income states tended to understate the number of low-income people in the state population. Or, to put it another way, \$35,000 goes a long way in a rural and poorer

state than it goes in California or Massachusetts. Therefore, using each state's specific income quintiles was a more precise way to measure the population of low-income survey respondents and a better way to avoid leaving out of the sample potential entrepreneurs who should be included. (The survey year used was 2007. The reasons for choosing this year are explained in footnote 3.)

9. See Kauffman Foundation Index of Entrepreneurial Activity, various years, available at: <http://www.kauffman.org/what-we-do/research/kauffman-index-of-entrepreneurial-activity>
10. Ibid. The year 2007 was the high-water mark, so to speak, of the last business cycle as measured by the National Bureau of Economic Research. The reason for choosing this year as the basis for the analysis in this study is because doing so helps minimize the influence of "necessity entrepreneurs" in the analysis. Put simply, some people become self-employed because they don't have many employment prospects in a poor economic environment and, as such, show up in the data as an entrepreneur. However, the type of entrepreneur we are trying to pinpoint in the data are those who are self-employed or starting a business by choice, not necessity. Therefore, studying the differences between states at a time when there were plenty of traditional employment opportunities for all income quintiles will help us find those "opportunity entrepreneurs" who are most likely to be influenced by factors other than economic business cycles.
11. Dick Carpenter, Lisa Knepper, Angela Erickson, and John Ross. "License to Work: A National Study of Burdens from Occupational Licensing." Institute for Justice: May 2012. Available at: <https://www.Institute for Justice.org/licensetowork>.
12. Jason Henderson, "Building the Rural Economy with High-Growth Entrepreneurs," *Economic Review* (Federal Reserve Bank of Kansas City, third quarter 2002), 45–70.
13. Glenn Yago, James Barth, Betsey Zeidman, editors. *Entrepreneurship in Emerging Domestic Markets: Barriers and Innovation*. (Springer: New York, 2008), p. 2.
14. Thomas Garrett and Howard Wall. "Passive Policies for Entrepreneurs," October 2005, Federal Reserve Bank of St. Louis, available at: [http://www.stlouisfed.org/community\\_development/assets/pdf/PoliciesForEntrepreneurs.pdf](http://www.stlouisfed.org/community_development/assets/pdf/PoliciesForEntrepreneurs.pdf)
15. Initiative for Competitive Inner Cities, "Building Sustainable Businesses: Lessons from Successful Urban Entrepreneurs" (ICIC, Boston, 2011), [http://www.icic.org/ee\\_uploads/images/Building\\_Sustainable\\_Businesses\\_Lessons\\_from\\_Successful\\_Urban\\_Entrepreneurs\\_vFinal.pdf](http://www.icic.org/ee_uploads/images/Building_Sustainable_Businesses_Lessons_from_Successful_Urban_Entrepreneurs_vFinal.pdf).
16. Ibid.

17. Yago, Barth, and Zeidman, *ibid*, p. 2.
18. Shirk and Wadia, appendix A.
19. Douglas Holtz-Eakin, Harvey S. Rosen, and Robert Weathers, "Horatio Alger Meets the Mobility Tables" (NBER Working Paper 7619, National Bureau of Economic Research, March 2000), 23, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=228090](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=228090).
20. Garret and Wall.
21. Morris Kleiner and Alan Kreuger. "The Prevalence and Effects of Occupational Licensing." National Bureau of Economic Research Working Paper No. 14308, September 2008. Available at: <http://www.nber.org/papers/w14308.pdf>
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28. Dick Carpenter, Lisa Knepper, Angela Erickson, and John Ross. "License to Work: A National Study of Burdens from Occupational Licensing." Institute for Justice: May 2012. Available at: <https://www.Institute for Justice.org/licensetowork>.
29. Ibid.
30. Ibid.
31. The scores calculated by the Institute for Justice are traditional "z-scores" but weights were assigned to specific variables. More detail on the procedure can be found in the methodology section of the Institute for Justice report: <https://www.Institute for Justice.org/l2w-appendix>
32. The weighted z-scores of the Institute for Justice study – which give a higher differential weight to the education/experience measures -- were re-scaled here to make them easier to compare in this study. In the Institute Justice study, a higher score indicated a more stringent licensing regime. In our study, a lower score indicates that.
33. For a more detailed description of this idea, see Byron Schlomach, "Six Reforms to Occupational Licensing Laws to Increase Jobs and Lower Costs," *Goldwater Institute Policy Report No. 247*, July 10, 2012, available at: <http://goldwaterinstitute.org/sites/default/files/Policy%20Report%20247%20Licensing.pdf>