

Bloomberg Businessweek

Small Business

<http://www.businessweek.com/articles/2013-07-03/why-are-californias-businesses-disappearing>

Why Are California's Businesses Disappearing?

By [Patrick Clark](#) July 03, 2013

Every now and then, one [state governor or another](#) will head to California to pitch businesses on leaving the Golden State. [Canada's immigration chief](#) has been trying his luck, too. The coaxing usually provokes some pundits to [bash the state's high taxes](#) and others to reassure middle-class Californians that employers [aren't planning on jumping ship](#) before the state drifts off into the Pacific Ocean.

Much of the angst about California's economy has been about jobs and whether employers are picking up stakes and [heading for Texas](#). Bureau of Labor Statistics [data](#) compiled by Bloomberg News and published this week don't answer the jobs question, but they do indicate that California is losing ground in a related category: the number of business establishments.

There were 1.3 million businesses in California at the end of 2012, 5.2 percent fewer than in the previous year (that's about 73,000 fewer). To put that in perspective, Massachusetts lost 5,200 businesses, the second-highest amount, and Kansas had 3.1 percent fewer businesses in 2012 than in 2011, the second-highest loss rate. Nebraska added businesses at 11.9 percent, the fastest rate. Because BLS releases the data on a lag, the end of 2012 is the latest date for which numbers are available.

What gives? "It's more likely the disappearance of a number of businesses than it is businesses leaving California," says Kevin Klowden, an economist at the Milken Institute's California Center. The state was hard hit by the Great Recession, Klowden continues, and businesses may still be shuttering in a hangover from tougher economic times. It could also be the case of an [improving job](#) market luring entrepreneurs of necessity away from their businesses, a trend that's shown up in national data on [new business starts](#).

In other words, it's not exactly clear why California's businesses are disappearing. Florida, another state hard hit by the bursting of the real estate bubble, and the state with the second most businesses, added new businesses at the nation's seventh-fastest rate.

[Clark](#) is a reporter for *Bloomberg Businessweek* covering small business and entrepreneurship.

©2014 Bloomberg L.P. All Rights Reserved. Made in NYC