

WALL STREET JOURNAL

Washington, Texas, Florida Top New Ranking of Innovation Hubs

VC investor Tim Draper says U.S. remains a leader in promoting innovative tech, though Singapore, Hong Kong and Switzerland are closing the gap



Draper Hero Institute, a research group founded by venture capitalist Tim Draper, has created an index that ranks global markets based on how conducive they are for innovation. Washington, Florida, and Texas lead the list of U.S. states.

PHOTO: DRAPER HERO INSTITUTE

By

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March 26, 2021 5:48 pm ET

Washington, Texas and Florida are the best states to launch a technology startup, beating California's Silicon Valley, according to a new index that ranks the vitality of national and global innovation hubs.

The U.S. remains a leader world-wide in promoting innovative technology, though Singapore, Hong Kong and Switzerland are closing the gap, according to the findings.

The effort was unveiled Thursday by the Draper Hero Institute, a research firm led by Silicon Valley venture capitalist Tim Draper. It features an index and an international map of emerging technology hot spots for entrepreneurs, investors and policy makers. The goal is to foster the development of advanced technology and economic growth, the firm said.

Chief information officers and other corporate tech leaders at more mature companies could leverage the rankings to identify areas in the U.S. and around the world where startups are developing innovative technology, which can be used as the basis for business decisions, such as investing and acquisition opportunities, the firm said.

“CIOs investing in the future must track innovation to avoid investing in yesterday’s technologies,” said Max Azaham, a senior research director at information-technology research and consulting firm [Gartner](#) Inc.

The Draper Innovation Index grades U.S. states and countries world-wide based on a range of local factors that its developers say support a healthy startup ecosystem. They include regulatory, economic, investment and workforce trends, along with less common indicators, such as openness to cryptocurrencies. Sources of data include the World Bank, the United Nations, the [Nasdaq Stock Market](#) and dozens of other private- and public-sector organizations.

The grades are then distilled into three broad categories, each with a separate rank. They include trust and transparency in local governments, the potential for development opportunities, and an overall rank based on the balance of all factors combined.

China, for instance, ranks second for emerging opportunities, but drops to 51 for government quality, according to the index. Its overall rank is 13. The U.S. tops the rankings in all three categories.

The tool, which is free and accessible online, maps out the rankings using geographic information system software developed by Environmental Systems Research Institute Inc.

“Think of these countries and these states as places entrepreneurs can decide or not decide where to go to,” Mr. Draper said. That matters, he added, because the ability to work from anywhere and with anyone has never been stronger, especially in the wake of the pandemic.

Although California scores high for its thriving tech sector, the state’s overall grade is weighed down by red tape, high taxes and other state regulations, Mr. Draper said.

Texas ranks third overall among U.S. states, behind Washington and Florida, according to the index. It [attracted \\$1.3 billion](#) in venture capital in the first three months of the year, more than what was raised in each of the previous three quarters, according to data gathered by analytics firm PitchBook Data Inc. In December, Silicon Valley companies [Oracle](#) Corp. and [Hewlett Packard Enterprise](#) Co. both announced [plans to relocate](#) their corporate headquarters to Texas.

But California’s lower ranking is more likely the result of an overemphasis on the impact of market-oriented government policies, said Richard Florida, a professor at the University of Toronto and the co-founder of global advisory firm Creative Class Group. “The index is missing some widely accepted measures of innovation,” he said, citing the number of patents, research and development spending, the share of scientists and engineers and other factors.

“California has a wide lead over any other state on any measure of actual innovation,” Mr. Florida said, “but it has a less market-oriented government and has higher taxes.”

Despite fears during the pandemic of a mass exodus of tech talent from California, the San Francisco Chronicle, citing U.S. Postal Service data, reported [minimal movement](#) in the Bay Area.

Mr. Draper, who says California’s restrictive regulations have led to poor infrastructure and a higher cost of doing business, was behind a failed effort to [divide the state](#) into smaller pieces.

A co-founder of venture-capital firm Draper Fisher Jurvetson, Mr. Draper was an early backer of [Baidu](#) Inc., [Twitter](#) Inc., [Tesla](#) Inc. and Coinbase Inc. His investments have also included Theranos Inc., the health-tech startup that collapsed after a Wall Street Journal investigation cast doubt on the validity of its blood-testing equipment.

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