

Startups in the U.S. boom

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Sally Persons



The Commerce Department kicked off SelectUSA today for the annual event that brings investors, startups, and local leaders together as startups in America hit an all-time high. Secretary Gina Raimondo opened the conference by telling startups and business leaders that America was the best country to invest in.

"We have mayors here. We have ambassadors here. We have problem solvers here who want to work with you," said Raimondo to businesses in attendance.

According to data from the U.S. Census Bureau, 5.4 million new business applications were filed in 2021, a 53 percent increase from 2019 and the highest of any year on record.

Sherman Baldwin, CEO of LCR Capital and adjunct professor at Yale University, said it's America's acceptance and protection against failure makes the U.S. a desirable place for startups.

"I think it's critical that failure is an event. It's not a prognosis," he said. "Jobs are created when capital is put at risk. And that's what entrepreneurs do. That's what venture capital firms do. That is what creates value and what creates jobs and what attracts people to the United States."



Gina Raimondo, US commerce secretary, speaks during the SelectUSA Investment Summit in National Harbor, Maryland, US, on Tuesday, May 2, 2023. The summit is to establish new connections and opportunities to grow through investing in the US, according (Ting Shen/Bloomberg via Getty Images / Fox News)

LCR Capital works with investors around the world looking to invest in the U.S. They are an attendee at SelectUSA this year. Baldwin said his company looks at both the quality of the person and the quality of the idea when deciding to invest.

He added that immigrant communities have been essential to continued competitiveness in America. He said that over half of the so-called "unicorns" -- a privately held startup valued over \$1 billion -- that came out of Silicon Valley over the last 20 years were founded by immigrants.

"The key to success, in my opinion, is to be able to continue to attract the best and the brightest from around the world," he said.

One of those unicorns is Pacaso, a company claims to make second home ownership a reality by turning homes into LLCs. Pacaso handles the design, furnishing, and maintenance, but those who buy in own the real estate.



CEO Austin Allison launched the business in October 2020 right in the middle of the COVID-19 pandemic.

"Challenging times present the most opportunity because scarcity is sort of breeds innovation. It forces you to be more resourceful, more creative. And I believe that it makes companies stronger," said Allison.

Allison said remote work ended up being a major benefit to his startup.

"A lot more people now have the flexibility to work from anywhere, which drove a lot of demand for second homes and second home markets. And that's really been an accelerant for our business," he said.

The company has faced some backlash for its fractional homeownership model. A community in Napa Valley banned Pacaso from operating since they said it's similar to a timeshare, which they do not allow. Pacaso is suing in federal court.



Allison responded to the criticism saying anytime a company tries something new there's usually some resistance.

"I think some pushback is a great sign that a company is on to something big and meaningful," he said.

But that innovation could be in jeopardy, according to a spokesperson from the U.S. Chamber of Commerce.

"We're concerned that Washington, D.C., and in particular President Biden's regulatory agencies are destined to kill the geese that are laying the golden eggs of entrepreneurship in this country," said Tom Sullivan, vice president for small business policy at the U.S. Chamber of Commerce.

Sullivan pointed to the Labor Department's proposal last year that would redefine independent contractors verse employees. Anyone considered economically dependent on the company would be reclassified as an employee instead of a contractor, which would entitle them to more benefits according to the agency.

"Misclassification is a serious issue that denies workers' rights and protections under federal labor standards, promotes wage theft, allows certain employers to gain an unfair advantage over law-abiding businesses, and hurts the economy at-large," the Department said in a statement last October.

Sullivan said the rule would penalize self-employed workers with more regulation.

"We've got a long way to go before we really start applauding and celebrating small businesses instead of trying to micromanage them and then ultimately hurting their growth," he said.

The final version of the rule is expected sometime this spring.