



I'm often asked why the Milken Institute is located in Southern California, rather than Washington, DC or New York City, where many well-known public-policy think tanks are based.

One reason is that California remains at the cutting edge of the evolving global economy and the place where a variety of challenges are being confronted. Whether it's trade or immigration, energy or technology, this state – with its strategic location on the Pacific Rim and as a gateway to Latin America – is often at the forefront. And being on the cusp gives us a unique perspective.

When one considers the factors that drive change in the modern economy, such as small-business vitality and entrepreneurial energy, it's plain that California has been in the vanguard. Its universities are still the envy of the world, and many of the world's leading high-tech companies got their start here. Indeed, according to a new Milken Institute study (see page 83), five of the top-10 high-tech metros in the country are in the state – including, of course, the undisputed leader, Silicon Valley.

This is why, two years ago, we created the Milken Institute California Center, dedicated to measuring and analyzing social, economic and political trends in the world's eighth-largest economy. One goal is to bring together some of the state's leading thinkers, from busi-

ness executives to government leaders, to create a research agenda that will help educate the state's decision makers on how to move California forward.

As we all know, California faces plenty of tests – from a reeling housing market and a never-ending budget-deficit battle, to frighteningly high unemployment and inadequate infrastructure. The Center is working on ways to help the state get through these difficult times and maintain its global leadership position. We have, for example, urged changes in the state's tax structure (now heavily dependent on a highly volatile income-tax base), as well as reforms aimed at improving its K-12 education system and streamlining the regulation faced by the sorts of business enterprises the state needs to power growth and employment.

Make no mistake: how California manages these issues will have enormous ramifications for the national and global economies, as well as for the state's. I have no doubt that California has the brainpower to manage the crisis, but it will also take strong bipartisan leadership and tremendous political will to rise to the challenge.

Being in California gives us something special – a sense of the great promise of the future as well as the pitfalls. I wouldn't want to be anywhere else. And yes, working in an office just four blocks from the Pacific Ocean is nice, too.

A handwritten signature in black ink that reads "Michael Klowden". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Klowden, President and CEO