Response to Reviewer 1 of JORS-14-221, "Do State Business Climate Indicators Explain Relative Economic Growth at State Borders?"

**Thank you for your helpful comments. We have worked to address your comments as well as those of the other reviewers'. Below, please find specific responses to your comments in bold.**

Comments to the Author

The paper makes a contribution just by showing how little correlation there is between various business climate indexes. If the indexes actually measured an objective characteristic called business climate, one would think there would be a strong correlation among various measures, but the paper points out there is not.

Thus, the results that these indexes have little ability to predict future economic growth is not surprising. Nonetheless, the paper's methodology of comparing across state borders makes a very good and very convincing test. The fact that eight different measures of growth are used shows the robustness of the paper's conclusions.

One explanation for these results is that there are state-specific factors other than business climate that affect economic performance. Another is that the indexes are poor measures of business climate. One might also be inclined to think that five years is too short a period to detect changes in business climate, but the fact that the indexes are very persistent over time seems to weigh against any argument that the time period chosen was too short.

The paper's conclusions would be very helpful to policy makers who consider using these indexes as a basis for public policy, in addition to their academic interest.