Business

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THE ECONOMIC REPORT

Texas gets mixed scores on revised 'report card'

By Mike McNamee
Washington Bureau of The News

WASHINGTON — The Corporation for Enterprise Development wants to stand the old saying on its head: What's good for America's states or regions, the group argues, should be good for General Motors.

That's the basis of the group's new "Development Report Card for the States," a compilation of 78 measures of economic well-being announced Wednesday that, according to the non-profit corporation, spells out what businesses are really looking for when they're searching for a place to locate or grow.

The standard measures of "business climate" concentrate on the costs and impediments to doing business — taxes, wage rates, right-to-work laws, levels of unionization and the toughness of workers' compensation, for example. The idea, says CFED president Robert E. Friedman, is that "the government that governs best, governs least."

The CFED takes a different tack: It looks at the amount a state has invested in its people, its facilities and its legal structures. "We believe," said Friedman, "that the government that governs best, governs intelligently."

On that scale, Texas draws a mixed report card:

■ For economic performance, Texas earns a grade of D and is ranked 40th of the 50 states. It could be worse: Most of the economic measures are based on 1985 statistics and don't include the effects of the 1986 oil-price collapse.

■ For business vitality, a measure of industrial competitiveness and "entrepreneurial energy," Texas earns an A — fourth-best in the nation.

■ For capacity, which measures the quality of a state's people, financial structure, physical infrastructure and amenities, Texas rates a B, 18th in the nation. An A for finances and B's in infrastructure and amenities are depressed by a C in human resources capacity — educational spending and attainment, the state's research base and its entrepreneurial climate.

■ For state policies — responsiveness of a state government to the needs of a changing economy — Texas draws another D and ranks 27th in the nation. The state's low-tax revenue structure, which scores so highly on other studies, is downgraded for being unstable and regressive, and the study says Texas hasn't made many of the innovative economic development moves that other states pioneered.

"Texas' scores on vitality and capacity

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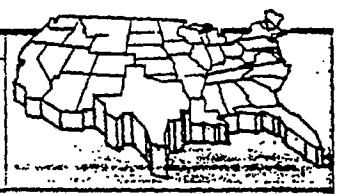

GRADING THE STATES

The Corporation for Enterprise Development has drafted a new "economic development report card" that stresses states' emphases on education, infrastructure and quality of life, rather than just wages, taxes or rates of unionization. Here are the top five states, plus Texas' ranking, for each of the four "subjects" graded on the report card:

ECONOMIC PERFORMANCE

(Employment, income, job growth, quality of life)

Rank		Grade
1	Massachusetts	A
2	Connecticut	A
3	New Hampshire	A
4	Minnesota	A
5	Maine	A
40	Texas	D

BUSINESS VITALITY

(Competitiveness, entrepreneurial growth)

Rank		Grade
1	Alaska	A
2	Arizona	A
2	California	A
4	Texas	A
5	Colorado	A

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CAPACITY

(Human, financial, infrastructure, amenities)

Rank		Grade
1	Connecticut	A
2	California	A
3	New York	A
4	Minnesota	A
18	Texas	B

STATE POLICIES

(Regulation, taxation, trade, capital mobilization, technology development, public investment)

Rank		Grade
1	Michigan	A
2	Ohio	A
3	Minnesota	A
4	New York	A
5	Pennsylvania	A
27	Texas	D

SOURCE: Corporation for Enterprise Development

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Texas gets mixed scores on report card

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show that there are lots of resources available to the state," Friedman said. "But they're not being put to use." After riding high on "rapidly rising oil and farm prices and an entrepreneurial boom in Dallas-Fort Worth," the Texas economy now "has got to retool itself in the face of budget deficit problems," Friedman said. "It's not going to be an easy job."

The CFED report card grew from the need to persuade state legislators to tackle those tough jobs.

In its work with economic development experts in several states, CFED was consistently frustrated by "the old, erroneous notion that business climate came down to lack of taxes and regulation," Friedman said. "The research in economic development showed that old notion was wrong — businesses don't just look at costs and regulation. But we had to communicate that to the public."

The best-known index of business climate, compiled by the Chicago accounting firm of Grant-Thornton, "purports to measure a state's attractiveness for manufacturers," Friedman said. That index is based on rankings by state manufacturers' associations — in effect, the lobbyists who work in state capitals for lower taxes, less regulation and more breaks for businesses — rather than on economic-development research, Friedman says.

As a result, Grant-Thornton consistently ranks South Dakota as the top state in the nation and Mississippi in the top 10 — but "neither is much of a manufacturing giant," Friedman said. At the same time, Michigan, which has strong and growing manufacturing, rates 48th. The Grant-Thornton index, says Friedman, "is the world stood on its head."

The CFED report card doesn't quite fit with the way the world works in some ways, either. For example, Tennessee drew straight F's (along with Alabama) — but also has drawn heavy investment by Nissan Motor Corp. and General Motors Corp.'s coveted Saturn plant. Friedman defended Tennessee's rating, arguing that the state "isn't making the investment in itself that it ought to."

Instead of costs, the CFED index focuses on the effort states make to improve the lives of their citizens, whether corporate or individual.

Most people might not think that "equity" — a measure that includes a ranking for "welfare benefits as a percentage of per-capita income" — would sway businesses in their search for new locations, but Friedman argues that equity is included as an economic performance indicator because "that's what people really care about — how much of the benefits are coming to them."

Businesses avoid areas with inequitable distributions of opportunity because "the social and economic consequences are only too clear — poverty, social discord, crime, wasted talent and lost productivity," he said.

Work on the CFED report card was funded by businesses, labor unions and foundations "in roughly equal proportions," Friedman said. The emphasis on items that aren't of obvious interest to business — welfare, education, per-capita appropriations for the arts — reflects CFED's view that "business development is a means to an end — it's not the end itself. You try to draw businesses to improve your state's quality of life."

Source: https://www.industrydocuments.ucsf.edu/docs/kxbl0049

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