



# Outranked: Why New York Needs to Improve its Competitiveness

**PRESENTATION:  
IS NEW YORK COMPETITIVE?  
*SORTING THROUGH WHAT THE RANKINGS TELL US*  
EMPIRE CENTER**

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# Competitiveness Is ...

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- A state is competitive if it has in place the policies and conditions that ensure and sustain a high level of per capita income and its continued growth.
  - Naturally leads to the question of what these policies and conditions are.
- Michael Porter:
  - Competitiveness measures “the microfoundations of prosperity” and “wealth is actually created at the microeconomic level.”
- The BHI index:
  - Inspired by Porter but developed in-house
  - Long-term: what makes a persistent difference to real income?
- Policy is important, but only part of the story
  - Natural resources; culture; history and institutions.

# The World Economic Forum

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- “An independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.”
- “Members are companies that are driving the world economy forward.”
- Competitiveness index also inspired by Michael Porter.

# In a Nutshell

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“If you look at competitiveness, what we are talking about is *productivity*. It’s countries that are productive that can support the sorts of *rising living standards and high wages* that everyone is looking for.”

*-Jennifer Blanke, senior economist at the World Economic Forum.*

<http://www.cnbc.com/id/48905756>

# U.S. Competitiveness is Slipping

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	2008-09 Rank	2012-13 Rank
<b>United States</b>	<b>1</b>	<b>7</b>
Switzerland	2	1
Denmark	3	12
Sweden	4	4
Singapore	5	2
Finland	6	3
Germany	7	6
Netherlands	8	5
Japan	9	10
Canada	10	14
Hong Kong SAR	11	9
United Kingdom	12	8

# Overview of BHI Index

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- Ranks the 50 states on their ability to sustain a high level of personal income.\*
- Employs 43 indicators (see Appendix).
- Compiled annually since 2001.

\*Full index available at [www.beaconhill.org](http://www.beaconhill.org).

# Key Ideas

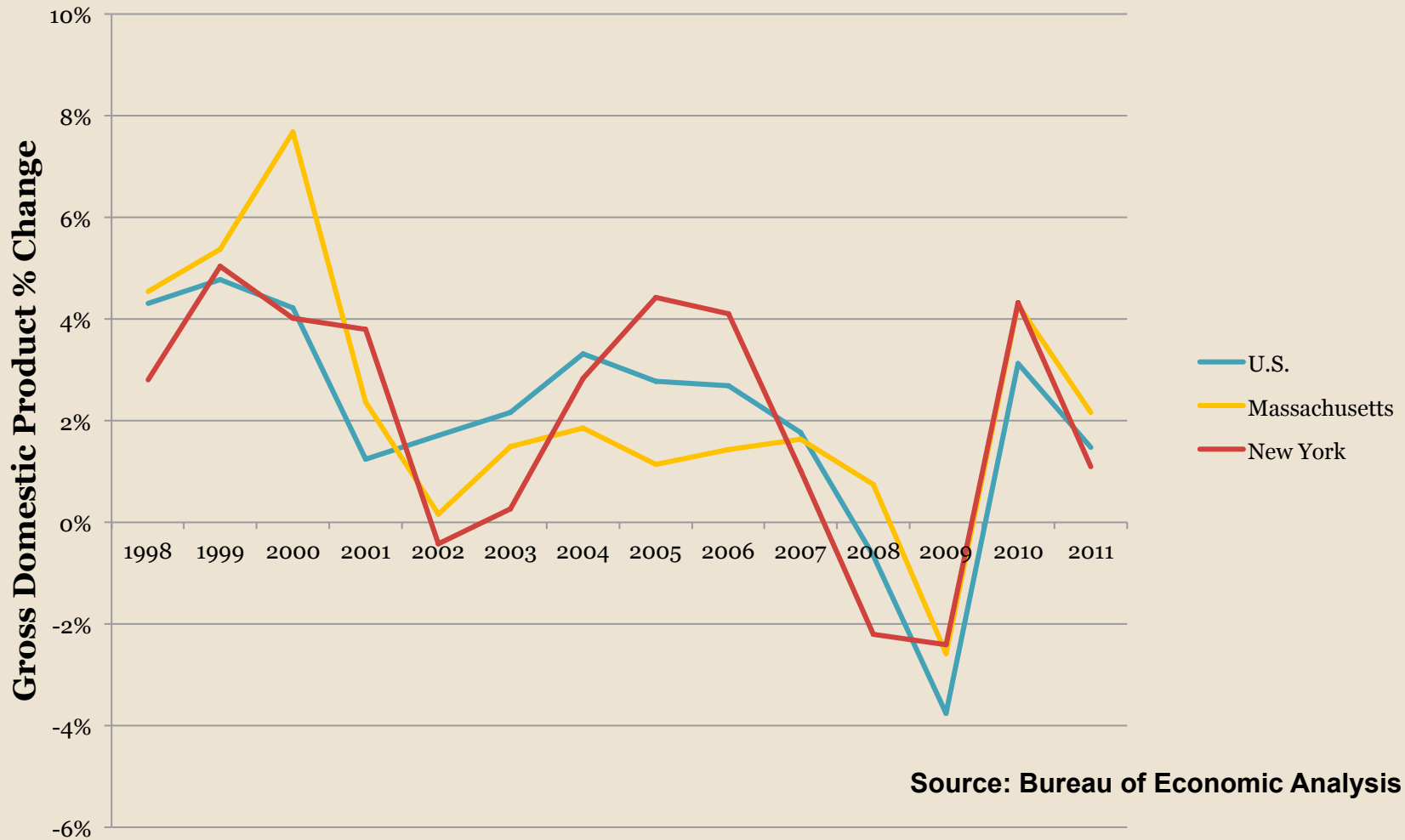
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- Business Climate Indices (Tax Foundation) v. Productivity Indices (BHI) v. Quality-of-Life Indices (Forbes) vs. Tax & Regulation (ALEC)
- BHI's index captures the productivity of a particular state.
- Massachusetts is more prosperous than Mississippi because it is more competitive (and therefore productive), it gets more out of its workers.
- BHI gives some indications of the policy mix that ensures higher incomes.

# Real GDP

NY, MA, US (2005\$)

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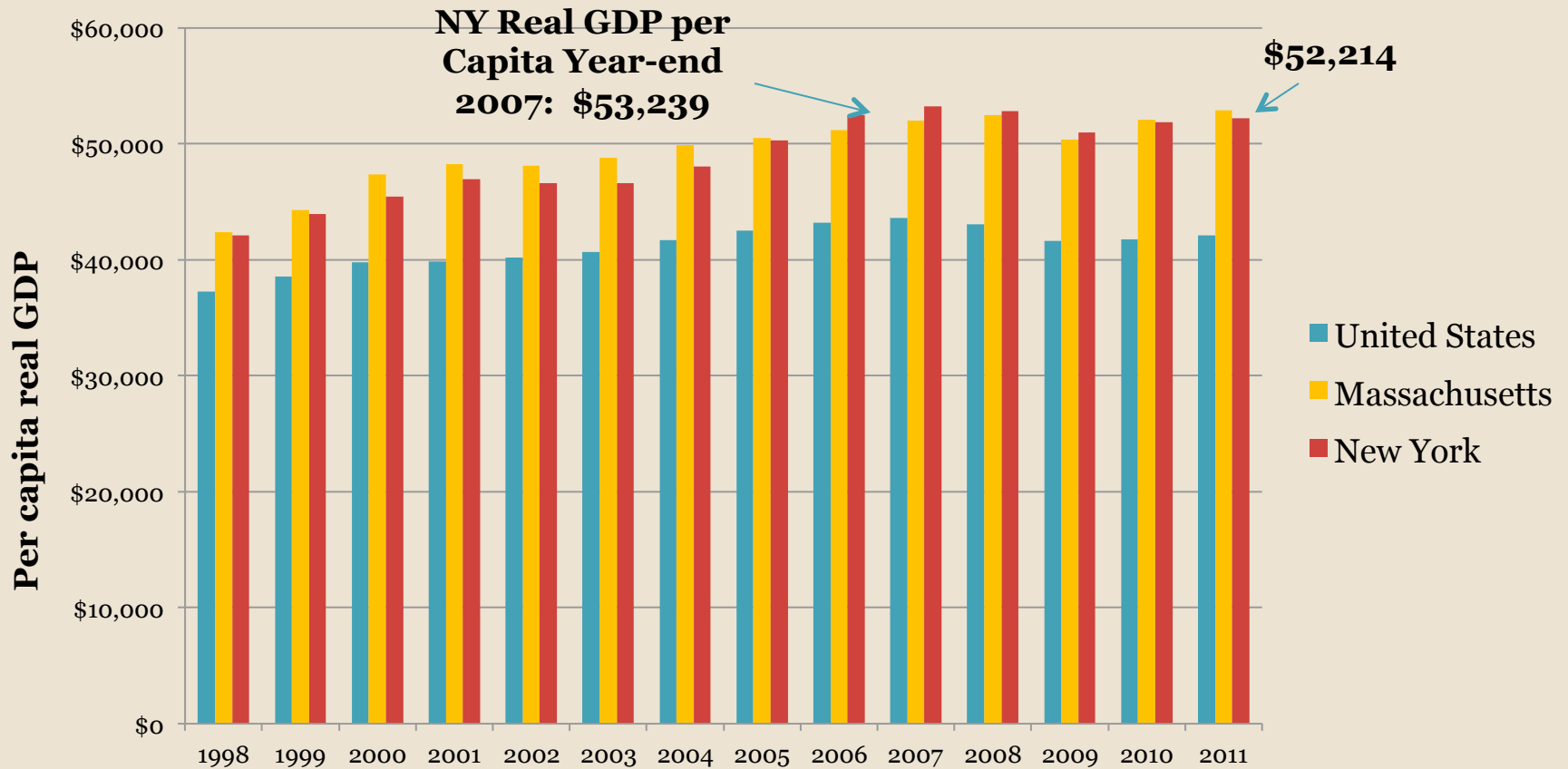




# Per Capita Real GDP by State (Chained 2005\$)

## New York before and after the Great Recession

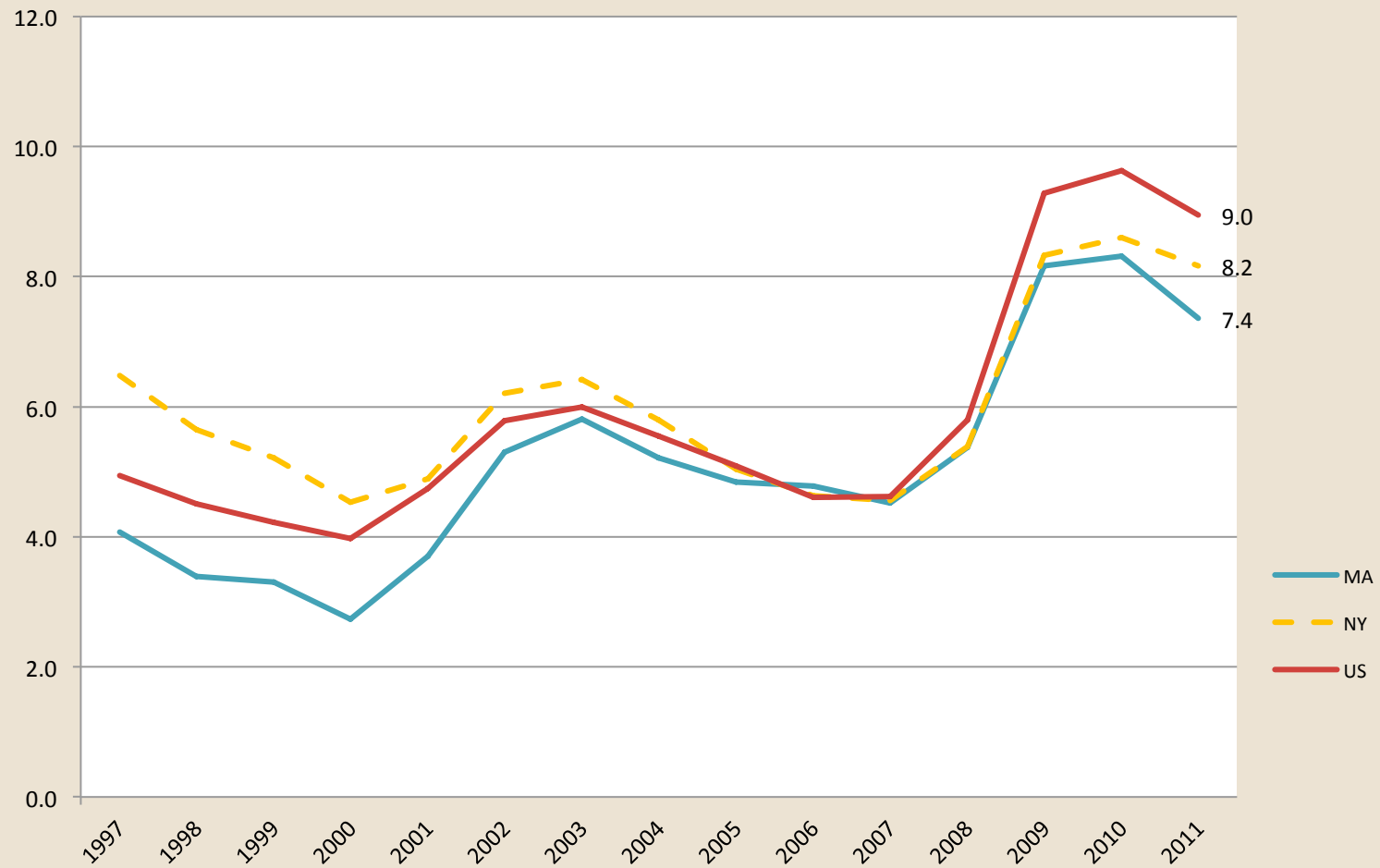
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Source: Bureau of Economic Analysis

# The Real Recession Damage: Unemployment in New York State

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# Rankings Comparison

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## NEW YORK

### SELECTED INDICES

### RANK

Forbes Best States for Business 2011

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Beacon Hill Institute Annual State Competitiveness Report 2011

29

CNBC's Top States for Business 2011

26

Tax Foundation State Business Tax Climate Rankings 2012

49

Small Business Survival Index 2011

50

American Legislative Exchange Council (Laffer-Moore-Williams)  
2012

50



# The Big Picture: BHI Top 5 + Northeast

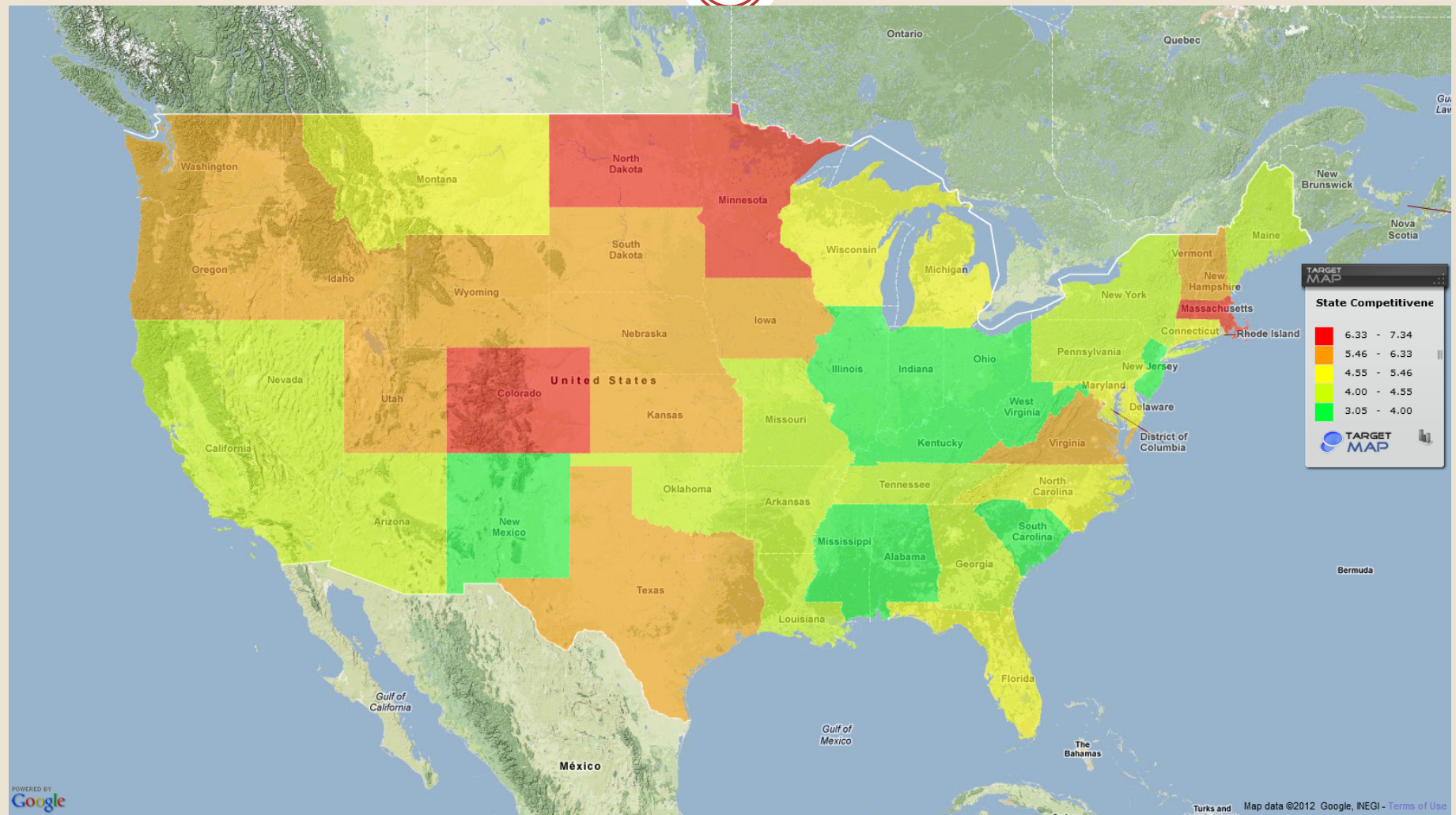
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<b>MASSACHUSETTS</b>	<b>1 (7.34)</b>
<b>NORTH DAKOTA</b>	<b>2 (7.29)</b>
<b>COLORADO</b>	<b>3 (6.90)</b>
<b>MINNESOTA</b>	<b>4 (6.50)</b>
<b>UTAH</b>	<b>5 (6.33)</b>

<b>NEW HAMPSHIRE</b>	<b>11 (5.84)</b>
<b>VERMONT</b>	<b>14 (5.72)</b>
<b>RHODE ISLAND</b>	<b>19 (5.39)</b>
<b>CONNECTICUT</b>	<b>26 (4.88)</b>
<b>MAINE</b>	<b>28 (4.56)</b>
<b>NEW YORK</b>	<b>29 (4.53)</b>
<b>NEW JERSEY</b>	<b>48 (3.73)</b>
<b>PENNSYLVANIA</b>	<b>39 (4.15)</b>

# 2011: Mapping State Competitiveness

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New York State's Competitiveness, September 2012

# NY: BHI Rankings Over Recent Years

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- 2005: 40
- 2006: 35
- 2007: 38
- 2008: 35
- 2009: 35
- 2010: 31
- 2011: 29

# NY: The subindexes

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	NY index	NY rank
Government and fiscal policy	3.62	46
Security	4.78	33
Infrastructure	3.98	41
Human resources	5.28	21
Technology	5.63	11
Business incubation	3.63	46
Openness	6.32	6
Environment	5.26	24
<b>Overall</b>	<b>4.53</b>	<b>29</b>

# NY: Government and Fiscal Policy

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	NY Index
State & Local taxes/income	2.71
Workers Comp. premia	4.43
Bond rating	4.27
Budget surplus / GSP	5.45
Avg. pmt to insured unemployed	4.72
FTE St. & Loc. Employees/cap	4.14
<b>Overall</b>	<b>3.62</b>



# NY: Infrastructure

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	NY index
Mobile phones/1000	7.42
Hi-speed Internet lines/1000	6.07
Air passengers per cap	5.07
Avg. travel time to work	2.69
Electricity prices/kWh	3.19
Apartment rental (2 bdrm)	3.71
<b>Overall</b>	<b>4.69</b>

# NY: Business Incubation

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	NY index
Bank deposits/cap	5.27
Venture capital (\$/worker)	5.52
Employer firm births/cap	5.59
IPO volume, \$/capita	4.90
% of labor force in unions	2.49
Minimum wage	5.52
Tort Reform	2.85
Standardized wage rate	3.95
<b>Overall</b>	<b>4.51</b>

# Selected Comparisons with Other States

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## Subindex 1: Government & Fiscal Policy

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### *NY Strengths*

*Budget deficit % GDP* 13

### *NY Weaknesses*

*State + local taxes per capita* 49

*No. of Government Employees* 43

- New Hampshire 9
- Massachusetts 27
- Rhode Island 31
- Pennsylvania 33
- Connecticut 39
- Vermont 40
- Maine 42
- New York 46
- New Jersey 48

## Subindex 2. Security

21



### *NY Strength*

*Crime index per 100,000 people* 4

### *NY Weakness*

*Change in crime 2009-2010* 45

- Connecticut 4
- Rhode Island 6
- New Jersey 10
- Vermont 12
- New Hampshire 15
- Massachusetts 22
- Pennsylvania 23
- Maine 25
- New York 33

## Subindex 3: Infrastructure

22



### *NY Strengths*

*Mobile phones per 100* 1

*High-speed lines per 100* 9

### *NY Weaknesses*

*Avg. travel time to work* 49

*Electricity prices* 48

- Massachusetts 29
- Pennsylvania 30
- Rhode Island 34
- New Jersey 37
- New York 41
- Connecticut 43
- Maine 45
- New Hampshire 48
- Vermont 50

## Subindex 4: Human Resources

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### *NY Strengths*

*Rate of active physicians/100k* 3

*Infant mortality rate* 10

### *NY Weaknesses*

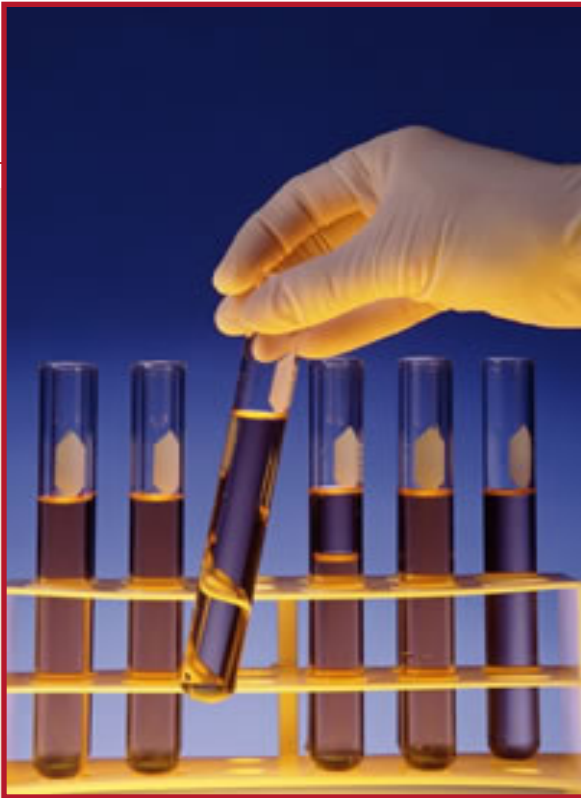
*% of students proficient in math* 38

*% of > age 25, graduated from HS* 35

- Massachusetts 1
- Vermont 3
- New Hampshire 4
- Maine 11
- Connecticut 15
- Pennsylvania 17
- New Jersey 19
- New York 21
- Rhode Island 23

## Subindex 5: Technology

24



### *NY Strengths*

*NIH support* 7

*S&E degrees* 5

*R&D/GDP* 8

- Massachusetts 1
- Vermont 3
- Rhode Island 4
- Connecticut 8
- New Hampshire 10
- New York 11
- Pennsylvania 13
- New Jersey 29
- Maine 46



## Subindex 6: Business Incubation

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### *NY Strengths*

*Total bank deposits*

5

### *NY Weaknesses*

*% of union representation*

50

*PRI Tort index*

49

- Massachusetts 12
- Maine 20
- New Hampshire 24
- Rhode Island 34
- Vermont 40
- Pennsylvania 43
- New York 46
- New Jersey 47
- Connecticut 50

## Subindex 7: Openness

26



### *NY Strengths*

*% population born abroad*    2

- |                 |    |
|-----------------|----|
| • New York      | 6  |
| • New Jersey    | 7  |
| • Connecticut   | 8  |
| • Massachusetts | 9  |
| • Vermont       | 13 |
| • Rhode Island  | 21 |
| • New Hampshire | 31 |
| • Pennsylvania  | 40 |
| • Maine         | 43 |

## Subindex 8: Environment

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### *NY Weakness*

*Carbon emissions/square mile* 36

- Maine 1
- Vermont 5
- New Hampshire 16
- New York 24
- Rhode Island 30
- Massachusetts 28
- Connecticut 33
- Pennsylvania 46
- New Jersey 49

# NY: Long-Term Issues (in Bottom 10)

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- **Government & Fiscal Policy (S1)**
  - High tax/income (49)
  - Weak bond rating (41)
  - Many government employees/capita (43)
- **Security (S2)**
  - Change in crime index (45)

# NY: Long-Term Issues (in Bottom 10)

29

- Infrastructure (S3)
  - Travel time to work (49)
  - Electricity prices (48)
  - Apartment rental rate (46)
- Business Incubation (S6)
  - Unionization rate (50)
  - PRI *Tort Index* (49)
  - Wage rates (41)

# Index up 1 point, PCI up \$1,893

30

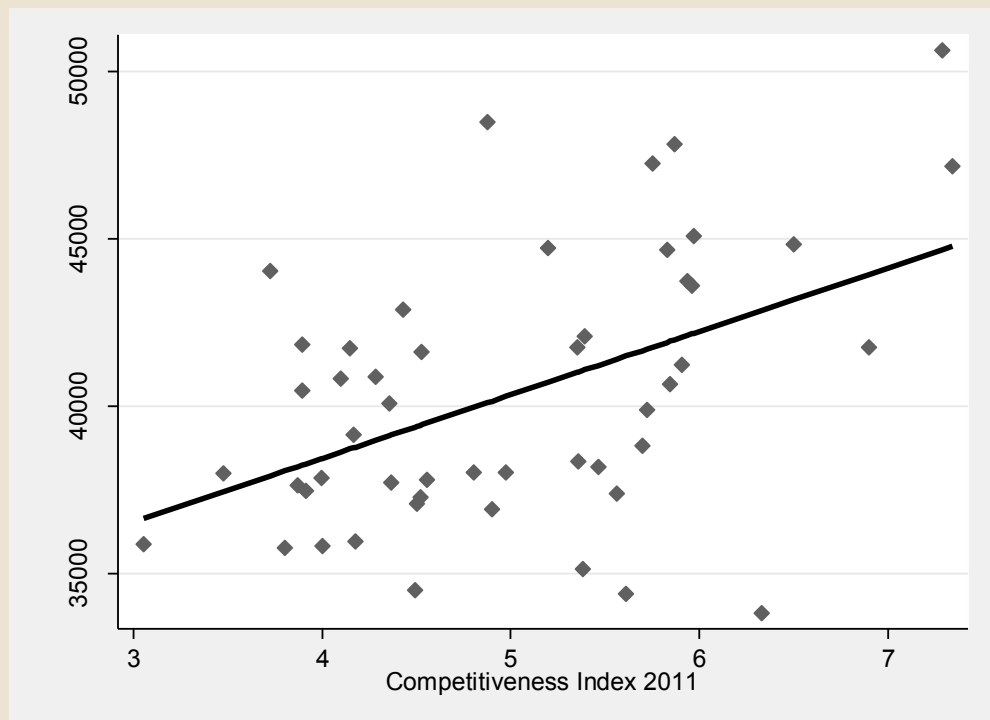
Real personal income per capita

= 30,873 + 1,893 × Competitiveness Index 2011

*p=0.01*

$R^2 = 0.23$

PI per capita deflated using a  
spatial price index (Aten et al. 2011)



# Applied to New York

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- Ranked 29<sup>th</sup> with index of 4.53
  - ✦ Fiscal: 46<sup>th</sup> (3.62)
  - ✦ Security: 33<sup>rd</sup> (4.78)
  - ✦ Infrastructure: 41<sup>st</sup> (3.98)
  - ✦ Business Incubation: 46<sup>th</sup> (3.63)
- Raise these to the mean (5.0):
  - Rank would rise to 13<sup>th</sup> with index of 5.77 (from 29<sup>th</sup> at 4.53)
  - Real personal income would rise \$2,350 per person per year
    - ✦ That's a total of \$46 billion annually for the state.





Suffolk University was founded in 1906, and has over 9,000 students in its College of Arts and Sciences, Sawyer Business School, and Law School.

The Beacon Hill Institute was founded at Suffolk University in 1991 for the purpose of bringing economic analysis to bear on current public policy issues.

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