



SUFFOLK  
UNIVERSITY

## Eleventh Annual State Competitiveness Report



# RI: Glass Half Full or Half Empty?

## THE BUSINESS CLIMATE IN RHODE ISLAND

SPONSORED BY FIDELITY AND THE  
RHODE ISLAND PUBLIC EXPENDITURE COUNCIL  
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**JONATHAN HAUGHTON**

SENIOR ECONOMIST, BEACON HILL INSTITUTE  
PROFESSOR, DEPARTMENT OF ECONOMICS, SUFFOLK UNIVERSITY

JHAUGHTON@SUFFOLK.EDU

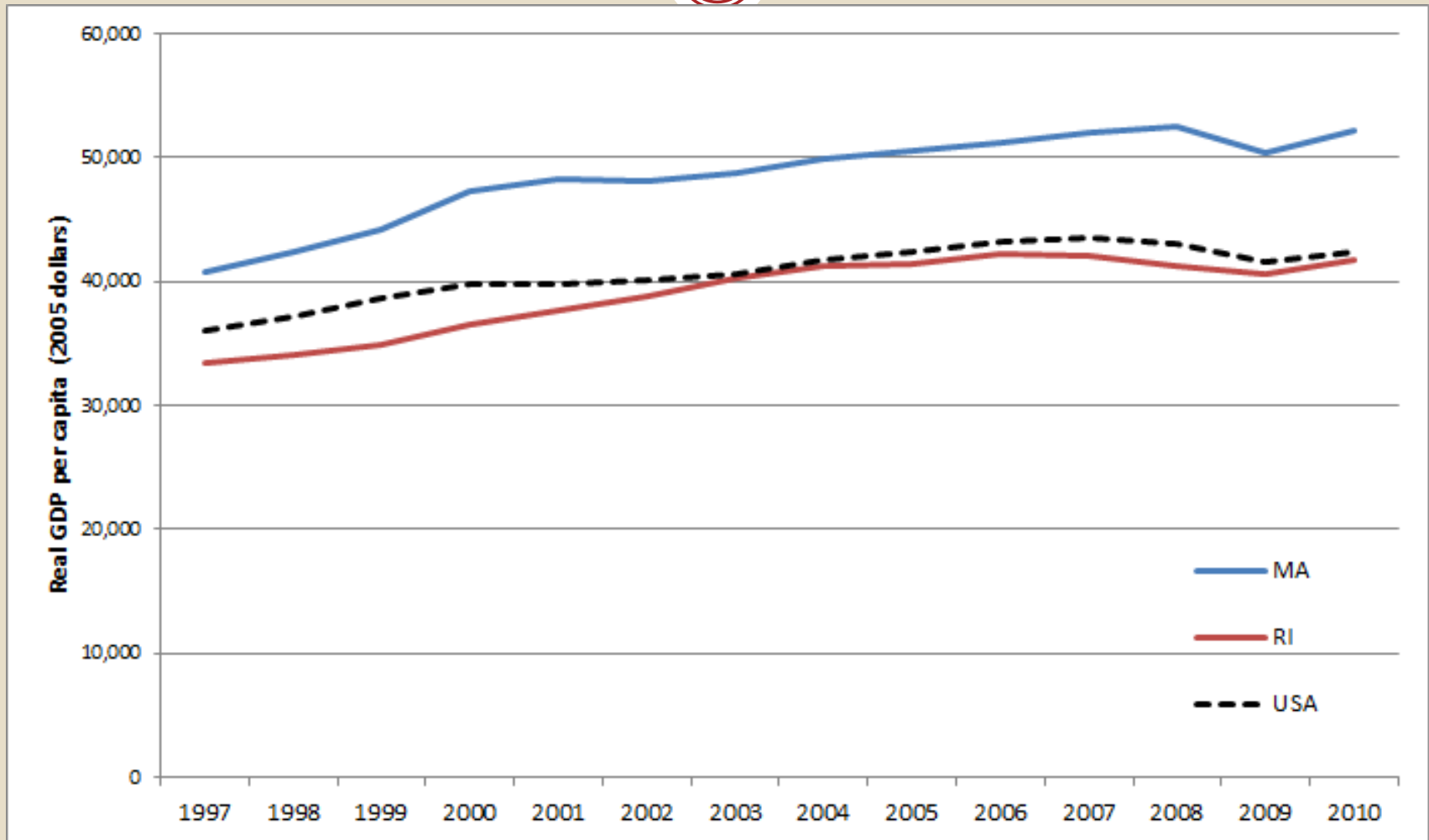
# Key ideas

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- RI GDP weathered the recession about as well as the US
  - Because fundamentals of competitiveness are solid?
- Competitiveness: Our measure is
  - Broad
  - Associated with per capita income
  - Helpful in identifying policy-relevant areas of strength, weakness
- RI: In the better half, rising perhaps, but still far to go
  - Some others are improving
  - Several problems need attention

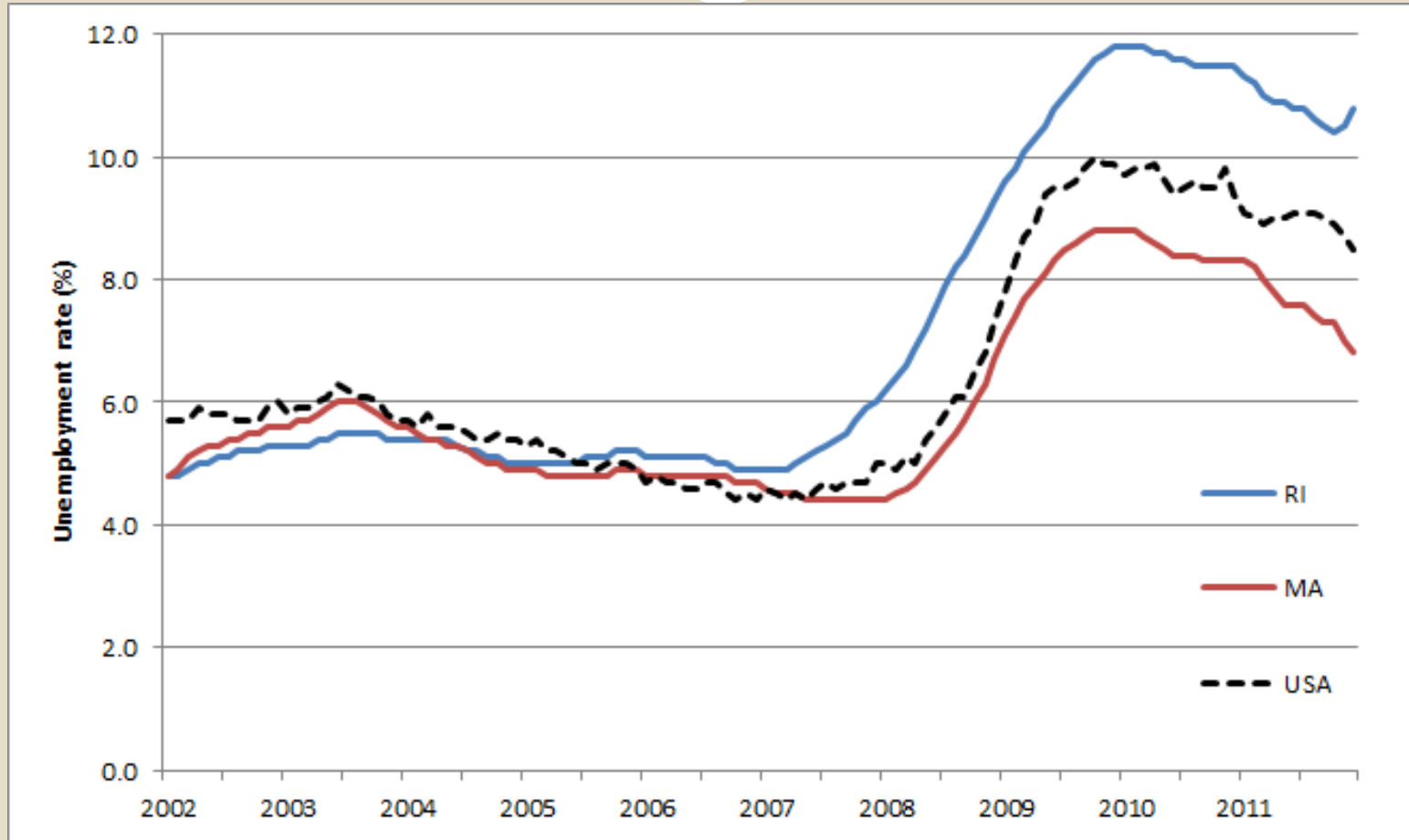
# Real GDP per capita

3



# RI: The Real Recession Damage

4



# 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.



# The Big Picture: Top 5 + NE

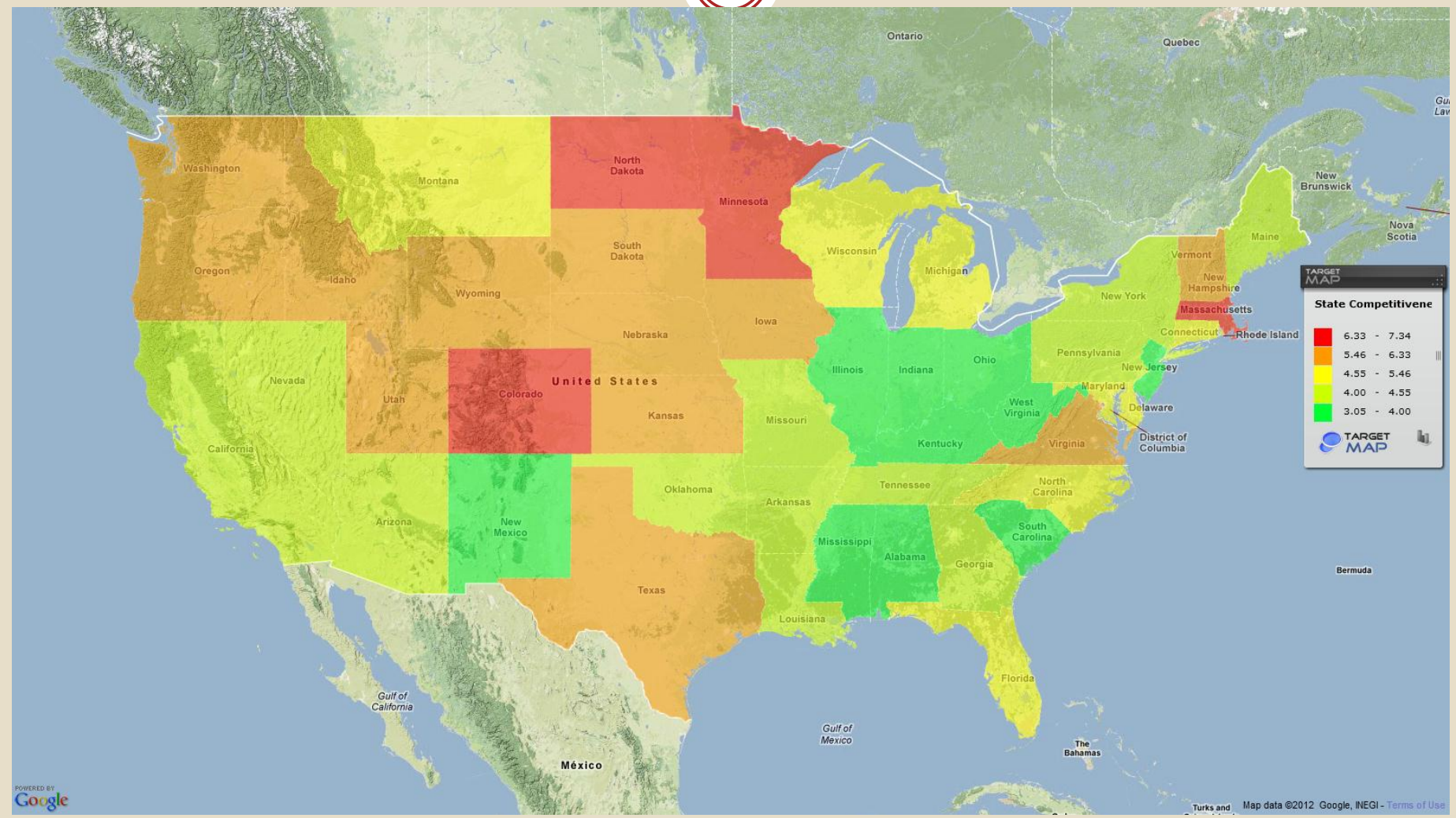
6

<b>MASSACHUSETTS</b>	<b>1 (7.34)</b>	<b>NEW HAMPSHIRE</b>	<b>11 (5.84)</b>
<b>NORTH DAKOTA</b>	<b>2 (7.29)</b>	<b>VERMONT</b>	<b>14 (5.72)</b>
<b>COLORADO</b>	<b>3 (6.90)</b>	<b>RHODE ISLAND</b>	<b>19 (5.39)</b>
<b>MINNESOTA</b>	<b>4 (6.50)</b>	<b>CONNECTICUT</b>	<b>26 (4.88)</b>
<b>UTAH</b>	<b>5 (6.33)</b>	<b>MAINE</b>	<b>28 (4.56)</b>

RI: Index was 5.31 in 2010 and 4.68 in 2009.

# 2011

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# RI: The trend

8

- Ranks:

○ 2005	39
○ 2006	25
○ 2007	21
○ 2008	31
○ 2009	27
○ 2010	20
○ 2011	19



# RI: The subindexes

9

	RI index	RI rank
Government and fiscal policy	4.80	31
Security	6.17	6
Infrastructure	4.56	34
Human resources	5.25	23
Technology	6.12	4
Business incubation	4.57	34
Openness	4.91	21
Environment	4.87	30
<b>Overall</b>	<b>5.39</b>	<b>19</b>

# RI: Government and fiscal policy

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	RI index
State & Local taxes/income	4.46
Workers Comp. premia	5.09
Bond rating	4.27
Budget surplus / GSP	6.15
Avg. pmt to insured unemployed	3.29
FTE St. & Loc. Employees/cap	6.12
<b>Overall</b>	<b>4.80</b>

# RI: Infrastructure

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	RI index
Mobile phones/1000	4.94
Hi-speed Internet lines/1000	5.73
Air passengers per cap	4.88
Avg. travel time to work	5.17
Electricity prices/kWh	3.85
Apartment rental (2 bdrm)	4.62
<b>Overall</b>	<b>4.56</b>

# RI: Business Incubation

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	RI index
Bank deposits/cap	5.14
Venture capital (\$/worker)	5.35
Employer firm births/cap	5.82
IPO volume, \$/capita	4.70
% of labor force in unions	4.07
Minimum wage	5.10
Tort Reform	4.40
Standardized wage rate	4.16
<b>Overall</b>	<b>4.57</b>

# Subindex 1: Government & Fiscal Policy

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## *RI Strengths*

*Budget surplus % GDP*      2

*Govt. employees/capita*      3

## *RI Weaknesses*

*Avg. pmts. to unemployed* 47

- 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

14



*RI Strength*

*BGA integrity index*      2

- 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

15



### *RI Strengths*

*High-speed internet* 16

*Travel time to work* 19

### *RI Weaknesses*

*Housing costs* 36

*Electricity prices* 43

- 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

16



### *RI Strengths*

<i>Physicians/capita</i>	4
<i>Student higher ed. enrolts.</i>	5

### *RI Weaknesses*

<i>% graduated high sch.</i>	41
<i>Unemployment rate</i>	47

- 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

17



### *RI Strengths*

<i>NIH support</i>	3
<i>S&amp;E degrees</i>	3
<i>R&amp;D/GDP</i>	6

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

# Subindex 6: Finance/Business

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## RI Strengths

Bank deposits per capita 6

Venture capital per worker 7

## RI Weaknesses

Wage rates 39

Unionization 42

- 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

19

### *RI Strengths*

*% population born abroad* 14

### *RI Weaknesses*

*Exports per capita* 41

- 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

20



### *RI Weakness*

*Carbon emissions/square mile* 49

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

# RI: Long-Term Issues (in bottom 10)

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- **S1 (Government/Taxes)**
  - High tax/capita (41)
  - Weak bond rating (41)
  - High weekly payments to unemployed (47)
- **S3 (Infrastructure)**
  - High electricity prices (43)
- **S4 (Human resources)**
  - % high school graduation (41)
  - Unemployment rate (47)

# RI: Long-Term Issues (in bottom 10)

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- **S6 (Business climate)**
  - Unionization rate (42)
- **S7 (Openness)**
  - Exports/capita (41)
- **S8 (Environment)**
  - CO<sub>2</sub>/area (49)

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

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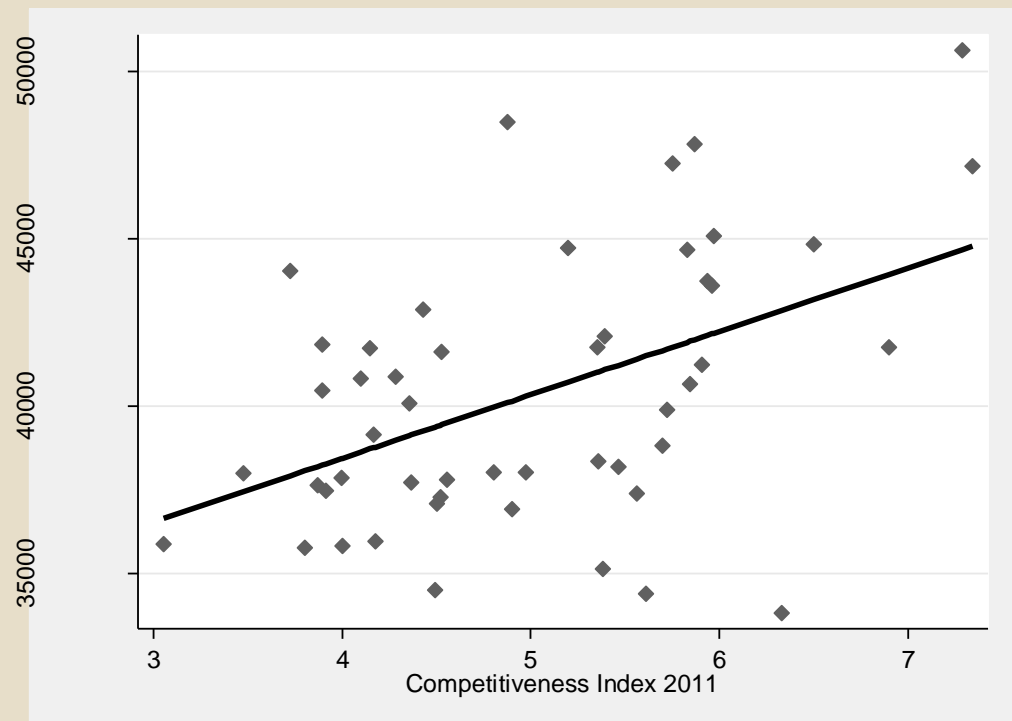
Real personal income per capita

$$= 30,873 + 1,893 \times \text{Competitiveness Index 2011}$$

$$p=0.01$$

$$R^2 = 0.23$$

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





# Applied to RI

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- Ranked 19<sup>th</sup> with index of 5.39
  - ✦ Fiscal: 31<sup>st</sup> (4.8)
  - ✦ Infrastructure: 34<sup>th</sup> (4.56)
  - ✦ Business: 34<sup>th</sup> (4.57)
  - ✦ Openness: 21<sup>st</sup> (4.91)
  - ✦ Environment: 30<sup>th</sup> (4.87)
- Raise these to the mean (5.0):
  - Rank would rise to 13<sup>th</sup> with index of 5.81
  - Real personal income would rise \$800 per person per year
    - ✦ That's a total of \$800 million annually.





# SUFFOLK UNIVERSITY

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.

*The Beacon Hill Institute  
for  
Public Policy Research*

8 Ashburton Place  
Boston, Massachusetts  
02108-2770

phone: 617.573.8750  
fax: 617.994.4279  
email: [bhi@beaconhill.org](mailto:bhi@beaconhill.org)  
web site:  
[www.beaconhill.org](http://www.beaconhill.org)