



Analytics

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RE: CNBC doesn't believe Delaware is the First State for business

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In CNBC's recent ranking of the top states for business Delaware came in 42nd. Is there really any reason for concern? If so, what needs to be done to make Delaware more business competitive?

CNBC scores the 50 states on 40 different measures of competitiveness grouped into ten aggregate categories. Each of the ten categories receives a different weight for determining the overall state's score.

Of the 2,439 possible points, six categories accounted for almost all of Delaware's lost points. Delaware lost the most points in the following four categories: cost of doing business, quality of life, the economy, and transportation and infrastructure.

The cost of doing business includes the tax burden, labor costs, rental rates, and utilities. Delaware takes a big hit because of its energy costs, and is ranked 36th among all states in this category.

The quality of life includes local attractions, crime rates, health care, and air and water quality. Delaware has a high and rising violent crime rate and poor air quality, and overall ranks 47th among all states.

The economy is measured by CNBC by diversity, economic health, and growth. Because of its concentration of employment and output in financial services and a low proportion of employment accounted for by small businesses, Delaware lags in diversity. Delaware has also been a slow growth economy for almost a decade. Delaware ranks 45th on this category.

Transportation and infrastructure are assessed by the value of goods shipped by air, land, and water, and by the availability of air travel and the quality of roads. A good deal of Delaware's manufacturing capacity is now focused on management rather than production, and obviously Delaware does not have a major airport. The state ranks 44th on this category.

Delaware is most competitive in the category of business friendliness with a rank of 1st. Delaware is perceived to have a business friendly legal and regulatory environment. The state ranks 17th on workforce, primarily because of business's aversion to unions.

Delaware ranks 20th on access to capital, reflecting the strides made by state government and business groups in the areas of start-up and venture capital. Delaware ranks 25th on education due to lower traditional measures of K-12 education.

So, based upon the framework used by CNBC, what areas need action to make Delaware more business competitive? There are no surprises here: lower energy costs, lower violent crime rate, increased small business diversity, improved public school student test scores, and continued focus on the factors that encourage economic growth (e.g., low taxes, individual freedom). Delaware has a relatively low tax burden, the flow of polluted air from the rest of the Northeast can't be stopped, and how can one justify another major airport between Philadelphia and Baltimore?

Given this one study, Caesar Rodney Institute's focus on energy competitiveness, public education, and economic growth appear to be quite appropriate.

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