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Florida TaxWatch Releases Analysis of Florida's Ranking in State Competitiveness Indexes

TALLAHASSEE — How competitive is Florida as a place to do business? And what do our rankings in competitiveness indexes tell us about Florida? Those are the questions analyzed by a new Florida TaxWatch Economic Commentary, *State Competitiveness Indexes and Rankings: What They Tell Us about Florida's Competitiveness and Future*.

The analysis examines how Florida ranks according to ten separate competitiveness indexes published by wide array of organizations. Additionally, the Economic Commentary from the Center for Competitive Florida at Florida TaxWatch identifies areas of particular strength and weakness for Florida's competitiveness by analyzing the indexes and how they determine their rankings. Such identifications can be valuable in developing policies and programs to bolster the state's economic growth.

Analysis of the ten competitiveness indexes shows that Florida fares well in these rankings. Five organizations rank Florida's competitiveness in the top ten of all states, and another organization ranks Florida just outside the top ten. A simple, un-weighted average of the nine above numerical rankings gives Florida a position of 12th among the 50 states, which suggests that Florida is among the nation's more economically competitive states.

However, there is wide disparity in Florida's rankings, from a high of 4th to a low of 32nd, which indicates that more detailed analysis is warranted. Variability in rankings across organizations employing different purposes, designs, and methodologies is to be expected, but the wide ranking variability noted for Florida might indicate the state's competitiveness is highly sensitive to and skewed owing to a small handful of included or excluded measures.

Several noteworthy points emerge from examining the variables for Florida that appear to lie behind the rankings assigned by the respective organizations.

1. Florida scores and ranks highly owing to the absence of a personal income tax; its relatively low unemployment insurance taxes on business; its openness and growth in international trade; its

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general hospitableness to entrepreneurs and small businesses; and its availability of capital to finance business expansion and relocation.

The credit crunch of the last two years, while not unique to Florida, in all likelihood has severely constrained the availability of capital to existing, new and relocating businesses. This factor alone may make Florida less attractive to entrepreneurs. The restructuring of the financial system will have an important bearing on Florida's future competitiveness.

2. Florida scores and ranks poorly owing to high business costs – notably property tax burdens, state and local sales, excise and gross receipt tax burdens, and general business costs; in the areas of security/crime and quality of life; and in areas related to so-called knowledge workers.

These are the areas where policy actions can have the greatest effects. Looming and sizable state and local government budget shortfalls pose a potentially serious risk to Florida's already high business costs if elected officials seek redress via increasing business taxes. Moreover, budgetary cutbacks may be exacerbating the shortage of knowledge workers by prompting 'brain and leadership drains' from the state's leading research universities and institutes. Security and quality of life concerns can be a significant deterrent to business expansions and relocations.

3. Florida's rankings seem consistent with either a feast or famine tendency. The state is highly competitive in some areas and not very competitive at all in others. Florida tends to score and rank either quite high and near the top or extremely low and close to the bottom on many of the various sub-indexes and specific measures. There are simply not many measures where Florida is close to the national average of the states and 'in the middle.' Florida's overall high and not-so-high rankings then reflect the weights given to the various sub-indexes and measures.

The analysis concludes that although economists and others will undoubtedly continue to debate the merits of various competitiveness indexes, "policy makers and all who are interested in the future of Florida's economy must pay attention to enhancing those factors which provide the foundations for Florida's growth and addressing those factors which constrain it."

The analysis was conducted and written by Stephen O. Morrell, Ph.D., Florida TaxWatch Senior Research Fellow and Professor of Economics and Finance, Andreas School of Business, Barry University, Miami Shores.

[Click here to view the Economic Commentary State Competitiveness Indexes and Rankings: What They Tell Us about Florida's Competitiveness and Future.](#)

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Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 30 year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs and to increase the productivity and accountability of Florida state and local government. Its support comes from homeowners and retirees, small and large businesses, philanthropic foundations, and professional associations. On the web at www.FloridaTaxWatch.org.