



## Measuring Competitiveness: Experience of US States

**Material to Accompany Remarks of  
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## Topics for Discussion

- Relevance (?) of US to World Bank Clients
- What is to be Measured?
- And Where/Who is the Competition?
- The Framework: Fiscal Architecture of States and Cities
- The Spending and Revenue Rating Game
- Report Card Rating Game
- Comparative Burdens (DC's household tax calculator)
- Competitiveness—Beyond Ratings and Fiscal Comparisons
- DC, Minnesota
- Final Comments

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### Relevance of US Experience for World Bank Clients

- Why the US State (and State/Local System) ?
- Quality of Data
- A Different Paradigm?
- Some Structural Similarities Between a Columbus and a Cairo; & Colorado and Croatia
- A way of thinking (& getting it “right”...and “wrong”)

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### What is to Be Measured and Where/Who is the Competition?

- Public Sector Size
- Tax Burden and Tax Distribution
- Level and Quality of Public Services
- Report Card—attempt to get at Socio-Economic as well as Fiscal Variables
- Jobs (and if so, what is that variable?)

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## First, The Fiscal Architecture From D.C. to Sacramento and Prishtina to Juba

- What makes “Fiscal Sense”
- Economic Structure
- Demographic Trends
- Institutional Overlay
- The case of
  - the California Film Subsidy
  - D.C. Commercial Property Tax
  - Sudan Oil Protocol and Avoiding (?) the Dutch Disease

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## The Tax and Spending Rating Game

- Expenditure Levels and Trends
  - Per Capita Spending
  - Functional Comparisons
  - What makes “Fiscal Sense”
- Taxation
  - Tax Mix (and back to Fiscal Architecture)
  - Tax Per Capita
  - As a % of Income
  - Representative Tax System
- Fiscal Capacity (Tax Policy Center, Institutional Overlay)
- The Cases of
  - the California Film Subsidy
  - D.C. Commercial Property Tax
  - Sudan Oil Protocol and Avoiding (?) the Dutch Disease

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## Report Card Rating Game

- The Development Report Card
- Corporation For Enterprise Development
- 67 Measures to provide “a relative state-by-state Assessment of Economic Development
- By Three Main Areas
  - “Performance” for the Wage Earner
  - “Business Vitality”
  - “Development Capacity”
- Grades from “A” to “F” Types: Specific and Generalized
- Alaska gets an “F” for Employment
- Alaska’s Current Unemployment Rate is 6.3% Willingness to Pay
- U.S. Unemployment Rate is 4.4% as is “A” Maryland (Baltimore 6.9%)

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## Competitiveness—Beyond Ratings

### Minnesota and DC

- “Competitiveness” gets away from regional thinking
- Both studies Employed a Statistical Model
- Relate rate of change in job growth to set of potentially explanatory variables
- A factor is significant if it explains the variance in employment growth rates
- A factor that does not help to explain variance is not significant
- Of the significant factors, some are more important than others—thus elasticities are computed: for any % change in the factor, a % change in employment growth rate is estimated. The greater the elasticity, the more important the variable
- The Dependent Variable is % change between Year 1 and Year 1+7 (the case study)
- By industrial type: Mfg., FIRE, Transportation, wholesale trade, retail trade, services and total employment
- Potential Explanatory Variables (17 in all)

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## Final Comments

- Back to the Fiscal Architecture
- Fiscal and Economic Institutions Matter
  - Intergovernmental Cooperation
  - Multistate Compacts
- As do Political Institutions/Knowledge of the Legislature, City Council
- Importance of Applied Research...
- ...and good judgment

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