

# Rhode Island gets a 'C' in 1988 study PBN 11/7/88

By CHESTER SMOLSKI

Ranking cities and states for their livability, jobs, taxes, schools and a host of other measures is becoming almost a national pastime.

Perhaps the most comprehensive ranking of cities is the Rand McNally *Places Rated Almanac* whose most recent edition ranked the Providence metropolitan area as 26th best of 329 evaluated in the nation. Critics have questioned the methodology used in this ranking, but cities rating highly have been quick to capitalize on it. Walking through the airport terminal in No. 1-ranked Pittsburgh, one is greeted by a large banner that proclaims the city to be the most livable in the country.

Even economists are trying their hand at this venture, and three of them, writing in the March 1988 issue of *The American Economic Review*, examined and rated quality of life in urban areas. One finds the results limited because only two-thirds of all metropolitan areas in the nation were ranked, with Pittsfield, Mass., the only New England entry. Pueblo, Colo., county and metropolitan area ranked first.

The recent slim study by Money magazine of city ratings put Danbury, Conn., in the No. 1 position, while Providence came in at 83 of 300 metropolitan areas rated.

These different rankings of Providence indicate the difficulty in getting some consistency in rating cities. This inconsistency may result from using different data, time periods, areas of comparison and methods of ratings. But while city ranking may present some difficulty, state ranking appears to be somewhat more measurable and uniform.

*Making The Grade: The 1988 Development Report for the States* is the second annual study done by The Corporation for Enterprise Development, a Washington, D.C.-based, not-for-profit economic development research and consulting organization. Funded by a variety of organizations, including the Ford Foundation, Aetna Life and Casualty Foundation, Charles Stuart Mott Foundation, American Federation of Teachers, Atlantic Richfield Foundation and others, this 129-page report uses data and indexes from 1986 and 1987 sources to come up with letter grades, from A to F, in four major categories.

Rankings of states in this study are based on the question: "How do we recognize a state with an economic climate capable of supporting business development—that is, a state where all the actors are doing their part to meet the challenge of adding value?"

To answer this question data were used to measure four areas:

- How well is the state's economy performing?
- How vital are the businesses in the state?
- What is the state's capacity for continued growth?
- What policies has the state established to support business growth and expand individual opportunity?

Some generalizations can be made about the ratings on the national level. As a general rule, America's 15 rural states trail behind the urbanized states. Yet Maine, New Hampshire, and Vermont, New England's three rural states, all ranked higher than urban Rhode Island.

The states of the Northeast, the heavily urbanized area from Boston to Washington, D.C., with few exceptions, continues to set the pace for the nation in terms of employment, income, business and investment growth. Of the top six states in the country, those that ranked with all A's and B's, only Minnesota is outside the region, ranking with Vermont, Massachusetts, Connecticut, New Jersey and Maryland at the highest rating.

The last group, 24 states, are those with three or four grades below an A or a B, and this is where Rhode Island is found, in the bottom half of the country.

The report speaks of those states that are "coasting." "These states tend to have well-performing economies but weak foundations. They lag behind other states in the policies and investments in capacity-building needed to power their growth. Most prominent here are New Hampshire and Rhode Island, which largely benefit from their proximity to the robust Boston metropolitan area."

Looking at Rhode Island in the New England region gives some evidence of the economic problems faced in the state. All six states received an A for their performance, but it is in vitality that Rhode Island ranks lowest of all with a D, while all other states have an A or B.

Business vitality was ranked three ways: competitiveness

of existing business—Rhode Island ranked 24th; entrepreneurial energy—Rhode Island ranked 42nd; and structural diversity—Rhode Island ranked 20th. The final grade of D given to the state for business vitality ranked Rhode Island 36th in the nation.

In business capacity Rhode Island and New Hampshire received C grades while Maine received a D. Business capacity included human, technological and financial resources as well as infrastructure and amenity capacities. Rhode Island's ranking of 24 gave it a C grade.

In the final ranking, policy, Rhode Island received a C grade as a result of its position of 30th in the nation. The seven indexes used to determine policy and Rhode Island's ranking are as a result of its position of 30th in the nation. The seven indexes used to determine policy and Rhode Island's ranking are as follows: governance—26; taxes—17; education—24; infrastructure and amenities investment—19; mobilizing capital—19; new enterprises—39; and investing in disadvantaged individuals and communities—27.

Rhode Island's position in the six New England states ranks it 2nd in performance, 6th in vitality, 5th in capacity and 5th in policy. Rhode Island is the only state in the region with 3 letter grades below an A or B;

Compared with 1987, the first year of the Corporation for Enterprise Development's rating venture, Rhode Island was the only state in New England to get lower ratings in 1988.

Rating state business climates can be a risky business, and one has to be careful of the source, but there is value in attempting to determine how one state ranks when compared with others in the region and the nation.

*Making the Grade* is a useful rating of the states that provides a comprehensive look at business climates. State leaders should examine it with some thought as to directions that need to be taken to improve our own below average, overall rating. As the report states, Rhode Island, a well-performing economy but a weak foundation and lags behind others in policies and investments in capacity building to power our growth.

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