

Outside the Echo Chamber

A fresh look at Washington State's business climate



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This series of special reports by the Washington State Labor Council—posted at www.wslc.org—aims to regain some perspective about Washington state's business climate and examine the successes we can build upon as business, labor and government leaders work together to increase the number of good-paying jobs in this state, particularly in the aerospace industry.

PART 1

Washington: Still business-friendly

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If Al Franken was still on Saturday Night Live portraying life coach and self-confidence guru Stuart Smalley (instead of serving in the U.S. Senate), some of our state's elected leaders could have a session in front of his mirror repeating, "We're good enough, we're smart enough and doggone it, business people like us!"

When it comes to whether Washington state can continue to maintain and attract good-paying jobs, some of our elected leaders seem to have self-image problems that simply aren't based in reality.

The recommended therapy is simple: Stop believing the politically motivated, demonstrably untrue rhetoric generated within the state that suggests this is a bad place to do business. Instead, start looking at what national business publications and public policy organizations -- which don't have an agenda or vested interest in the outcome -- are saying about us. And finally, work together to build on our considerable business-climate advantages to make Washington an even more attractive place for businesses and industries.

THE BOEING COMPANY'S decision in 2009 to add a second 787 assembly line in South Carolina instead of Washington set off another round of hand-wringing speculation among public officials and opinion-makers about whether Washington is competitive enough to keep Boeing and other family-wage jobs in the long term. (For its part, Boeing said the decision was not a reflection of Washington's business climate but was based



on the company's desire to avoid work stoppages by expanding into a southern state that actively discourages union membership.)

In the context of persistent statewide unemployment, business lobbying groups—and corporate-funded think tanks and public policy organizations—have seized upon Boeing's decision and other lingering negative effects of the Great Recession to pursue their agenda. They seek to blame unemployment on our state's "unfriendly" business climate. They do so with a clear agenda: to cut business taxes and regulations. That's what they do. The day business lobbying groups decide taxes are low enough and regulations are fair enough is the day they go out of business.

Does that mean their gripes should be ignored? Of course not. Their concerns are sometimes legitimate and deserve to be addressed. But it does mean that sweeping claims that Washington has a poor business climate, or isn't competitive with other states, should be taken with a grain of salt. Given the potential public policy implications of such

sentiments, these declarations call for independent analysis and scrutiny.

SO, IS IT TRUE? Is our state a bad place to do business? The answer you get from outside the state is very different from what we hear inside our little echo chamber.

(A 2009 study by Deloitte Consulting suggested that Washington fairs poorly when compared to other states competing for aerospace jobs. This study can't be considered independent, given that Boeing is one of Deloitte's major clients. Deloitte received more than \$100 million in fees from Boeing while "consulting" for the state. Despite this clear conflict of interest, Deloitte was also hired by the state in 2003 to recommend how to secure 787 assembly work. Deloitte successfully recommended that its client get a \$3.2 billion tax break. So it came as no surprise in 2009 when Deloitte's study recommendations conformed precisely with Boeing's legislative agenda. It simply cannot be considered an objective analysis of the state's business climate.)

National rankings that analyze state business climates—including those by conservative "pro-business" think tanks and policy groups—consistently rank Washington among the very best states for business.

They say we have comparatively low business taxes, a lighter regulatory burden, a highly skilled and highly trained workforce, excellent higher education, and for those reasons and many others, our state economy outperforms those of other states.

What follows is a sampling of those national rankings, including how Washington compares with West Coast neighbors Oregon

CONTINUED on reverse

and California, plus its aerospace industry competitors South Carolina, North Carolina, Kansas and Texas:

Forbes Magazine's 2010 "Best States for Business"

www.forbes.com

North Carolina – 3rd
Washington – 5th
 Oregon – 6th
 Texas – 7th
 Kansas – 10th
 South Carolina – 34th
 California – 39th

Washington ranked near the top in several categories, including for access to skilled labor (2nd), regulatory environment (5th), and growth prospects

(4th). We have risen since being ranked 12th in 2005. Forbes also recently ranked Washington No. 1 in retaining our college graduates in jobs in the state as opposed to the "brain drain" other states are experience where graduates move elsewhere.

The Small Business & Entrepreneurship Council's 2010 Business Tax Index

www.sbecouncil.org

Texas – 3rd
Washington – 5th
 South Carolina – 8th
 Kansas – 29th
 North Carolina – 38th
 Oregon – 39th
 California – 48th

This Virginia-based group advocates for lower business taxes across the nation and ranks states "according to the costs of their tax systems for

entrepreneurship and small business." Among the taxes included in the assessment are income, property, inheritance, unemployment, and various consumption-based taxes, including state gas taxes. (The state with the lowest taxes ranks 1st.)

The Tax Foundation's State Business Tax Climate Index

www.taxfoundation.org

Washington – 11th
 Texas – 13th
 Oregon – 14th
 South Carolina – 24th
 Kansas – 35nd
 North Carolina – 41st
 California – 49th

The Tax Foundation's 2011 index is a "tool for lawmakers" to assess how their business tax climates compare with other states and points out, "States with

the best tax systems will be the most competitive in attracting new businesses and most effective at generating economic and employment growth." (The state with the lowest taxes ranks 1st.)

U.S. News & World Report's "7 Best States to Start a Business"

www.usnews.com

Washington – 1st
 Texas – 4th
 Oregon, California, North Carolina, Kansas, and South Carolina – N/A

This report ranks which states were the best for entrepreneurship and starting a

business. (Only the top seven states were listed.) In ranking Washington No. 1, U.S. News and World Reports cited our tech-intensive economy, low taxes, and the highly productive, *high-wage* manufacturing workforce.

The Kauffman Foundation's State New Economy Index

www.kauffman.org

Washington – 2nd
 California – 7th
 Oregon – 14th
 Texas – 18th
 North Carolina – 24th
 Kansas – 26th
 South Carolina – 39th

"Working to harness the power of entrepreneurship," this nonpartisan public policy group poses the question, "To what degree does the structure of state economies

match the ideal structure of the New Economy?" It measures "knowledge jobs, globalization, economic dynamism, transformation to a digital economy, and technological innovation capacity."

The State Competitiveness Report of the Beacon Hill Institute at Suffolk University

www.beaconhill.org

Kansas – 13th
Washington – 14th
 Oregon – 15th
 North Carolina – 21st
 Texas – 25th
 California – 29th
 South Carolina – 42nd

This measures a range of variables, from fiscal policy to business development, to compare states' ability "to attract and retain business and to

provide a high standard of living for its residents over the long run."

The Corporation for Enterprise Development's Asset and Opportunity Scorecard

www.cfed.org

Washington – A
 Kansas – A
 California – C
 Oregon – C
 Texas – D
 North Carolina – D
 South Carolina – F

CFED is a nonpartisan think tank, whose sponsors include Bank of America and Wal-Mart. In its Asset and Opportunity Scorecard, it assigns letter grades assessing each state's performance

in terms of "financial security, business development, homeownership, health care, education, and tax policy and accountability."

The American Legislative Exchange Council (ALEC) State Competitiveness Index

www.alec.org

Texas – 3rd
Washington – 14th
 North Carolina – 23rd
 South Carolina – 24th
 Oregon – 25th
 California – 38th
 Kansas – 40th

"Tax and economic policies are essential to the competitiveness of our states," says this group of self-described free-market conserva-

tives. This report presents state economic outlook rankings based on public policies that "have a proven impact on growth, revealing which states have the best chance of experiencing economic recovery, and which need to re-examine their policies before they can expect to see improvement."

U.S. Department of Labor's Union Density Rankings

www.bls.gov

Washington – 4th (20.2%)
 California – 10th (17.2%)
 Oregon – 11th (17.0%)
 Kansas – 38th (6.2%)
 Texas – 44th (5.1%)
 South Carolina – 48th (4.5%)
 North Carolina – 50th (3.1%)

This is one of the Labor Council's favorite ones. In the context of the aforementioned rankings, it dispels the myth that having a strong, vibrant labor movement is bad for business. Washington is among the most heavily unionized states—about one in five workers are union members. Many of the competitiveness rankings consider the well-trained, high-wage workforce that is associated with union membership to be GOOD for business.

YES, THERE ARE A FEW business climate rankings that don't rate Washington so highly. And of course, it is those studies' rankings that are cited by business lobbying groups within Washington state. Meanwhile, with every new positive assessment of our business climate, state business groups go into "damage-control" mode by picking apart each study's methodology and explaining why these national groups just don't understand the unique burdens state and local governments place on businesses in our state.

Our point is not that state policymakers should be Pollyannas and ignore opportunities to improve our business climate just because Washington scores relatively well in these rankings. The point is that the state's internal echo chamber of criticism must not be allowed to create an atmosphere of panic in this discussion. Clearly, Washington has a great deal to offer employers, and even more can be done to build on those advantages.

Politically motivated, demonstrably untrue rhetoric about Washington being unfriendly to business undermines those efforts and distracts from the real action that we should be taking to build on our success.

In the coming weeks, The Washington State Labor Council will issue updated "Outside the Echo Chamber" reports specifically about the state's Unemployment Insurance and Workers' Compensation systems.