



## What's The Truth About Connecticut's Business Climate?

By John Henry Smith • Nov 17, 2020



*Frankie Graziano / Connecticut Public*

On Connecticut Public Radio's recent election special, departing state GOP Chairman J.R. Romano pointed to the fact that Raytheon -- the parent company of East Hartford-based Pratt & Whitney -- had chosen North Carolina instead of Connecticut to build a new plant. He said that's evidence that years-long Democratic control of state politics has been devastating to Connecticut's economy.

I heard that and thought it worthy of a deeper dive. So I reached out to a couple of people. First, I got in touch with John Boyd, the founder of The Boyd Company, a consulting firm out of Princeton, N.J. While it seems like he thinks Romano has a point, Boyd points an accusatory finger not directly at Democrats but at unions --and there aren't many of those in so-called right-to-work states.

"Clearly, Connecticut has a difficult business climate," said Boyd. "It's difficult for Connecticut to compete with low-cost right-to-work states like the Carolinas for aerospace and for advanced manufacturing projects. Right-to-work law is a common denominator among states attracting both aerospace and other types of advanced manufacturing. This Pratt & Whitney move just underscores the reality that the center of gravity for advanced manufacturing is in the South. It's Airbus in Alabama, Gulfstream in Georgia and Lockheed Martin and Boeing in South Carolina."

Next, I called up Yale School of Management Professor Jeffrey Sonnenfeld, who thinks low-cost labor is an overrated factor in states like Connecticut losing manufacturing jobs to Sun Belt states.

"Boy, if it was the cost of labor that was driving economic development, then Mississippi would be the best performing state in the world," he said. "If you take a look at what has been happening, there has been a great disinvestment of federal government money into the blue states, especially the Northeast. And there has been a drift towards Sun Belt states, especially the south central and southeast that's been military spending because of a force of a generation of GOP legislators that have shut down places like Fort Dix, the Philadelphia Navy Yard or places that were extremely efficient. But you can take a look at the base closures and they overwhelmingly punish the Northeast. If the Civil War was held today, we would be in trouble with so much artillery in the Sun Belt."

Thankfully, there's no indication the South will be taking up arms anytime soon against the North. But I did hear more shots fired from Boyd, who says another factor driving away manufacturing from Connecticut is that -- by some counts -- it has one of the highest total tax burdens in the country.

"The COVID pandemic has really made companies even more cost-cautious, and we're in an era of corporate cost-cutting. So the degree to which you can rein in the taxes would be wise to attract development," Boyd said.

In an analysis conducted this summer, WalletHub.com estimated that Connecticut residents pay the sixth highest percentage of their total incomes in state and local taxes nationwide. But Yale's Sonnenfeld says that has far from stifled business in this state. Connecticut, he indicates, has an ace in the hole.

"We haven't had a break in our production," he said. "In aerospace there is a lot of it, but whether or not it's Pratt & Whitney, Sikorsky or Electric Boat, it's the way the governor has worked to ensure PPE -- masks, gowns and other protective procedures -- through this horrible COVID pandemic. This is why the very pro-business environment, which is also pro economic

development and pro community development, perspective of Gov. Ned Lamont is such a win-win. I don't know a single major manufacturer, and I know every major CEO in this state, that has a problem with this governor. They love the tone that he's taken, and they don't draw it out on party lines or ideological lines. This is a win-win mindset."

On the issue of Lamont's impact, Sonnenfeld and Boyd agree.

"The politics, the policy, the taxes and the spending -- what we discussed earlier has made the state a difficult place to do business," Boyd says, "but a common denominator among states that are attracting projects and retaining projects is having an engaged governor and a governor that prioritizes economic development and speaks with companies. That's something that he tends to do well, versus other governors in poor business climates."

Our deep dive into Connecticut's business climate may be more anecdotal than scientific. I don't know that we proved or disproved J.R. Romano's claim that Democratic rule has put the state at a significant competitive disadvantage. But hopefully it's food for thought.