

CNBC's America's Top States for Business

CNBC produces an annual ranking called *America's Top States for Business*, published on its web site and promoted as an assessment of state "competitiveness." The latest was released July 13, 2021. The range of factors considered to be important contributors to economic competitiveness is much broader than that found in the Tax Foundation's index (which is focused exclusively on taxes) or the ALEC or SBEC measures. **The CNBC index includes a variety of measures that contribute to business profitability indirectly by affecting the quality of life, productivity, and the cost of living, making the state a more desirable place for workers and hence making it easier to attract and nurture a productive workforce.**

The stated rationales for inclusion of many of these measures stands in sharp contrast to the narrow business cost and tax criteria underlying rankings such as those of Tax Foundation or ALEC. CNBC states, for example: "Companies are demanding that states offer a welcoming and inclusive environment for employees.... Not only do companies want to draw from an educated pool of workers, but they also want to offer their employees a great place to raise a family."

Each state is scored on ten measures, shown below along with the weight that measure carried in the overall score for 2021:

- Cost of doing business (16%)
- Infrastructure (15%)
- Life, Health and Inclusion (15%)
- Workforce (13%)
- Economy (10%)
- Business friendliness (8%)
- Technology and innovation (7%)
- Access to capital (7%)
- Education (6%)
- Cost of living (3%)

A major problem with the CNBC ranking is that the weights do not come from any analysis of which factors actually contribute most to economic growth, or which factors actually are most influential in business location decisions. Instead, they are weighted by how often those factors are cited by state economic development agencies in their marketing efforts. In other words, they reflect the factors that states feel make the best case for their state.

While the kinds of factors that go into each score are described in general terms, CNBC

does not divulge the actual statistics that go into the scores — there are 85 measures in total — and how those measures are scaled and weighted to produce a category score. This lack of transparency makes it impossible to identify the measures that actually are most important in driving a state's score, or to explain a change in a state's ranking from one year to the next.

The CNBC ranking is based partly on underlying factors thought to contribute to growth (such as the education level of the workforce, or the quality of roads and bridges), and partly on measures of actual state performance (such as measures of economic growth or rates of new business formation). This makes it difficult to understand the meaning of the ranking. Does a higher ranking mean that the state has the kinds of labor force and public policy characteristics CNBC analysts think should contribute to growth and prosperity? Or does it mean that the state has in the recent past performed well on measures of economic outcomes? In other words, **it is not a useful predictive measure since the outcomes it would predict are, in circular fashion, part of the index.**

Anatomy of Top States for Business

CNBC uses 85 measures to produce an annual ranking of state competitiveness. [Read more](#)