**Economic Outlook--The Year Ahead**
**Prepared for Entrepreneur's Growth Conference -- Duquesne University**
**May 23, 2002**

Jake Haulk, PhD, President -Allegheny Institute

- National overview: Gradual but uneven pickup in the pace of activity with slow job gains over the next 6 months, real GDP growth at 3 percent or less for 2002.

- Signals from the economy are generally positive but mixed, crystal ball is cloudy
  1. First quarter growth was strong but not well balanced
  2. Job gains miniscule and unemployment edging higher, fairly typical for early stages of recovery
  3. Business investment spending slow to rebound
  4. Stock market seems schizophrenic
  5. Inflation remains in check, interest rates low

- Federal fiscal policy has become more stimulative but large state and local government revenue shortfalls are causing state tax hikes and spending cuts which will largely offset the federal stimulus. (My suggestion: more across the board marginal tax rate cuts)

- Monetary policy has been aggressive in trying to promote growth and will likely remain so for several months. Fiscal policy needs to help, the Fed cannot do this alone

- **Pittsburgh Outlook:** The next 12 months should see some economic improvement in the Pittsburgh region. However, there are considerable downside risks

- Continuing spate of stories about company closings and downsizings, e.g. Kaufmann's headquarters, Reese Brothers, SuperValu, Republic Steel, Mellon IT jobs, etc.

- Negative impacts of bridge and tunnel closing along with several other projects

- Concerns about viability of USAirways, the area's largest private employer

- High taxes and unfavorable business, entrepreneurial climate make faster development difficult

- Low interest rates should keep home buying and related spending healthy

For information about the Institute see the website www.alleghenyinstitute.org.