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Governor Needs a Reality Check on Jobs Pronouncements

Pennsylvania's monthly source of information about the Commonwealth's job situation, the Department of Labor and Industry press release, grows ever more fanciful. The January edition, (which reports on the December figures) states, "...although Pennsylvania continues to outperform the national economy, his (*the Governor's*) concerns about the outlook for 2008 are growing."

A review of national and Pennsylvania employment figures since the Governor took office in 2003 shows that Pennsylvania's labor force growth was only 60 percent as fast as the national rate while non-farm jobs in the state grew at only 50 percent of the national pace. That's a funny way of outperforming. Of course the Governor is focused on the unemployment rate, which is obviously not the best way of looking at performance. This is especially true—and ironic—since some of the faster labor force growth in other states is attributable to Pennsylvanians moving to those states in search of better opportunities.

Quoting the press release further, the Governor says, "We need a serious stimulus program from Washington... absent that I am worried that we will not be able to maintain our progress." What a dramatic change of position and belated recognition of reality! According to statements in the Department's monthly employment releases over the last four years or more, one would surmise that Pennsylvania's job gains have been solely the result of the billions spent by the state on economic development and business assistance programs. There has been no mention of the possibility that a strong national business upturn—fueled by tax cuts and low interest rates—might have played a role in boosting the state's employment gains, meager though they are compared to many "economically freer" states. Now, the prospect of a national downturn is seen as threat to the state's job creation ability. In short, if the national economy is booming it gets no credit for providing a lift to the state's economy but if the national economy slows it will be blamed when the state economy slows.

Not deterred by the inconsistency and questionable assertions in his pronouncements, the Governor presses ahead saying, "It is as important as ever for Pennsylvania to stay on track with our strategy. Our plan is to continue identifying innovative and efficient ways to create opportunities for our workers and businesses to thrive..." In other words, the administration apparently believes that (1), their strategy of tax, borrow and spend on

economic development is working and (2) it is government, rather than the marketplace and entrepreneurs, that creates business opportunities.

On the first point, as we have demonstrated on many occasions, the Governor's strategy is not driving job growth in the state. Virtually all net new private sector jobs created in recent years are accounted for by education and health care, professional services and leisure and hospitality (mostly food services) industries. The large retail, finance, manufacturing and information sectors are flat or falling. Since the business subsidies being handed out so generously are not focused on health care or restaurants, it is difficult to make the case that the give away strategy is working.

On the second point, what is left to say that has not been said? Nowhere in this nation's founding documents, or in the constitution of Pennsylvania, is there a provision calling on government to play the role of entrepreneur or the marketplace in creating business opportunities. The government can be of great assistance to market forces and entrepreneurs by creating a friendly tax and regulatory environment, but beyond that the state should leave well enough alone.

Sub-par creation of new jobs and businesses and the state's continued lagging performance should serve as a clue to policy makers of the need to change course.

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