



April 19, 2017

Allegheny Institute Op-Ed

Word Count: 800

Optimism & the Pa. Economy

By Colin McNickle

So, what comes first, economic optimism or a good economy?

It's a form of the classic chicken-egg metaphor that has been debated by economists for years. In fact, there's a whole field of scholarly study devoted to this kind of "causality dilemma."

That is, does optimism in the economy create a good economy? Or is it a good economy that creates the optimism?

To that point, the Lincoln Institute for Public Opinion's new Spring Keystone Business Climate Survey suggests a decided uptick in economic optimism among Pennsylvania business owners.

But as a scholar at the Allegheny Institute for Public Policy found in the data (*in Policy Brief Vol. 17, No. 18*), it might be premature to break out the pom-poms and rah-rah-sis-boom-bahs about the Keystone State's government leaders.

The Lincoln Institute survey asked 325 executives about the state of the economy, about current policy issues and about the performance of state- and federal-level officials.

"Over the past few years, iterations of this survey have shown optimism to be in short supply," reminds Frank Gamrat, a senior research associate at the Pittsburgh think tank, "but the 2017 version shows changes."

To wit, when asked how they would rate business conditions in Pennsylvania today compared to six months ago, 26.6 percent of the respondents answered that conditions are better.

Though still a small percentage, it represents a marked increase from the spring and fall 2016 surveys in which, respectively, 5.7 percent and 4.97 percent of the respondents expressed optimism.

“Furthermore in the current survey, 50 percent claimed that the conditions were the same as six months ago, up from 39.5 percent and 45 percent in the two previous surveys,” Gamrat says.

Only 19.6 percent said economic conditions in Penn’s Wood had deteriorated. That’s compared to 53.4 percent and 49.7 percent, respectively, in last year’s spring and fall surveys.

When asked what business conditions will be like in six months, 35.7 percent said they expect them to be better. Barely 8 percent thought that a year ago and only 5.3 percent believed that last fall.

The number of Lincoln Institute survey respondents thinking economic conditions will be the same was fairly constant over the last year -- 40.8 percent, 46.8 percent and 41.7 percent, respectively.

The difference can be seen in the percent of those responding that conditions will get worse, Gamrat says. “In the current survey only 18.2 percent believe conditions will get worse. That’s compared to 46.7 percent and 43.5 percent who thought it would get worse in the two previous surveys.

“It is worth noting that the percent of respondents claiming that business conditions are/will be better ... are the highest they have been in a long time,” Gamrat says. “Responses to the ‘Are things better?’ question are the highest since 2005 while the number who think things will get better are at its highest point since coming out of the recession in 2011.”

Critically, Gamrat notes that the economic optimism expressed by Pennsylvania executives might have its basis in an uptick in real business activity. Nearly 27 percent of survey respondents said sales are better. That’s up from 18.2 percent and 21.1 percent in the respective spring/fall 2016 surveys.

And the number of respondents saying sales have lagged dropped by 14.6 percentage points from a year ago (from 39 percent to 24.4 percent) and by 15.6 percentage points (from 40 percent) from last fall

Even more encouraging, more than 40 percent of the executives say they expect sales to be better in the future, nearly double from last fall. Only 8.7 percent expect worse sales six months from now.

But Gamrat notes there’s is a kicker in the Lincoln Institute’s survey results.

“Causes for this optimism can be debated,” he says, “but the current president’s approval rating comes in at nearly 70 percent from the 325 business executives responding to the survey.”

Two prior surveys gave the former president drastically lower approval ratings of 8.8 percent and 11.1 percent, respectively.

“This suggests that the optimism stems from national influences more than state ones,” the Allegheny Institute scholar notes. “In fact, the current governor’s approval is just 16.4 percent, his highest level to date.

“While this is much better than his two previous ratings of 5.4 percent and 6.9 percent, it does not approach a high enough level to imply business executives place credit for their optimism at the state level,” Gamrat says.

Colin McNickle is a senior fellow and media specialist at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

*Op-Eds may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org*

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
