

Cracks in Keystone Report

In a full frontal assault on Pennsylvania budget policies and on national trends, the Keystone Research Center (KRC) in an August 28th press release has blamed the recent slowdown in the state's economy on the lack of family sustaining job growth. And then they argue that the low wage trends are undermining the economic recovery by depriving the economy of purchasing power.

Further, according to KRC's executive director "The silver lining is that a growing chorus of American workers have a dream of a different economy that pays workers at least \$15 per hour. That economy is within reach and our new report shows it is badly needed."

And then the report laments the slippage in the state's growth rate since January 2011 that has dropped Pennsylvania's job growth ranking over the period to 46th after a significant rebound from the recession.

These are some of their complaints and claims. What is actually going on? Their assertion that PA's economy has slowed since the rebound from the 2009 downturn is true. But bear in mind that the recovery received a boost from the start of Marcellus drilling and production as well as the temporary Federal stimulus dollars that prevented public sector workers from getting pink slips. In effect, all the stimulus did was postpone the inevitable cuts in government jobs resulting from a weakened state economy and falling tax revenues. It was good for Governor Rendell but bad for Governor Corbett who had to deal with a looming massive deficit. In short, the KRC complaints about public sector job cuts since 2011 is totally off the mark since those cuts can be traced directly to the disappearance of the stimulus package that everyone knew was going away.

It is also the epitome of misdirection for the complainers of slow job growth and slumping wages to assiduously avoid talking about national policies that are hamstringing and distorting job and wage gains. Obamacare has already destroyed many jobs and produced enormous unwillingness in the business community to hire while at the same time causing many firms to reduce the hours of full time, benefit earning employees to part time workers who receive no benefits. Moreover, the fiscal policy of continued

colossal deficits and a monetary policy that is running unimaginable risks for the U.S. economy are discouraging investors and job creators.

Further, the flood of illegal low skilled immigrants has displaced tens of thousands if not millions of Americans from jobs and driven down wages in the process. Liberal groups—along with business groups who benefit greatly from cheap labor—have opposed controlling the border or requiring reasonable checks on eligibility to be employed as efforts to stop the illegal immigration.

The irony couldn't be richer. Groups that complain about low wages and beat up employers mercilessly about low wages oppose stanching the flow of illegals. Then too, KRC has never said a negative word about the palpable and demonstrable negative effects of Obamacare or the out of control NLRB rulings that stifle job creation. And how about the job killing rulings from the EPA that have forced power plants to close and have lowered coal mining jobs? Where is the concern for those good paying jobs?

And how preposterous is the assertion that there is a silver lining in the form of a growing chorus of American workers who dream of \$15 an hour jobs and that such an economy is in reach? The notion of paying people more than they contribute to revenue through their work product in a competitive marketplace is far removed from common sense and basic economics and will do nothing to promote faster growth of "family sustaining employment."

Finally, to respond to the slide in Pennsylvania's job growth ranking, it is important to note that Pennsylvania has for a long time lagged well behind the nation in job creation, often ranking close to the bottom among the states. Thus, the recent drop to 46th place (assuming KRC is correct in that statistic) is simply a return to normalcy. The 2009 to 2011 period was the anomaly. Marcellus drilling, spendthrift schools and municipalities refusing to take heed that the stimulus would not last indefinitely and the fact that PA did not suffer the stupendous commercial construction and housing collapses that occurred in much of the country, facilitated a relatively quick rebound in jobs from the recession losses. After the initial rebound, Pennsylvania's old problems of high corporate tax rates, labor union difficulties (especially public sector unions) and regulatory environment have reasserted themselves and are largely responsible for the return of the Commonwealth to its more accustomed ranking in the jobs growth game. KRC has nothing to say about these job growth crushers and resorts to pushing the same tired old nostrums of more education funding, higher mandated wages, more government spending, higher taxes, etc. If they get their way, PA will never move higher in the job ranking.

And, the notion that more education spending will produce better academic results is belied by the \$20,000 and above pupil expenditures in Pittsburgh and some other districts that are accompanied by very unsatisfactory academic performance.

The truth is that while many workers in fast food and other menial, low skill jobs would like to earn \$15 per hour, it is not going to happen unless the government forces it and that will cost tens of thousands if not millions their jobs. They will join the ranks of the

unemployed or underemployed who are casualties of Obamacare. Someone needs to explain how the job losers are better off in the long run and how the country is better off?

Want faster growth and more jobs? Stop the job killing policies that have proven counterproductive in Europe and now in this country. More government mandates, controls and interference with the free market are exactly the wrong answers.

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