



Pittsburgh's Weak Nod toward Entrepreneurism

Summary: The Standing Committee of Pittsburgh City Council has passed a resolution calling for the creation of a fund of \$75,000 to \$100,000 to assist small startup businesses. Sponsors say more new businesses would be a good thing for the city. The same sponsors have forced existing businesses to go to court to fight heavy-handed regulation.

In an ironic twist, a City Council member has apparently recognized the need for businesses to succeed in Pittsburgh as well as the need for new business startups to grow the city's tax base and provide employment opportunities. Why is this ironic? The same council member has previously pushed a council effort to require businesses to offer sick leave and supported higher minimum wages for small businesses. The city has passed an ordinance that mandates that employees who work in the city for companies with a city contract must be paid a minimum wage of \$15 per hour—if they work 30 or more hours per week.

Meantime, the city is pursuing the so-called P4 initiative that puts all its policy desiderata (people, planet, place, performance) ahead of market-driven business growth and entrepreneurship. Indeed, the plan says consideration of a project's job-creation potential or profitability will not be a priority. According to newspaper reports on Oct. 12, 2016, the mayor was quoted as saying "We are not simply looking for projects to make money and jobs." Further, he wants to be sure that projects are "environmentally sustainable and inclusive and accessible to a wide population."

The sick leave effort was killed by the courts to go along with other court rejections of city ordinances aimed at interfering with business decision-making. The city also lost its court battle over its ordinance requiring security guards in privately owned buildings to undergo CPR and other training. Both cases are currently in front of the state Supreme Court.

Bear in mind, too, that the city levies a payroll-preparation tax that ignores profitability and ability to pay the tax. And it has one of the highest parking tax rates in the country.

Now comes a resolution that aims to create a fund to underwrite business startups. On February 14th the resolution was passed (affirmatively recommended) by the Standing Committee after referral from the council a week earlier.

The resolution wording: “Resolution directing the Urban Redevelopment Authority ("URA") to create, fund and maintain an Entrepreneur Support Fund for the purposes of supplying select new businesses with early-stage seed funding where applicable.”

According to newspaper accounts on the announcement of the plan, “Encouraged by the city’s Advisory Board on Entrepreneurship and Start-ups, the support could go toward permits, licenses, software and other non-payroll costs of launching a business.” The sponsoring councilman is quoted as saying, “The goal here is to start as many businesses as we can so that they thrive and hire more and more people, and obviously you get more and more people employed in Pittsburgh.”

Beyond the irony of council members who have heretofore shown little respect for the free market suddenly realizing the private sector and business activity are important to the tax base for the city and are creators of jobs, there are obvious very questionable aspects of the Entrepreneurial Support Fund.

First, why would the city set up a fund to make grants to businesses so they can pay the city for permits or licenses? If a start-up cannot afford a couple hundred dollars to pay for a license, how can it afford to buy equipment and supplies, or even contemplate hiring employees? Then, too, if the city is eager to help start-ups, why not waive the cost of permits and licenses for them and after a year, if they are successful, then ask them to make the payment?

Second, the resolution specifies the support will be for *select new businesses*. That can only mean one thing. There will be a number of social welfare and environmentally correct qualifying criteria for the applying firms. These will likely be based on past efforts by the city to regulate businesses and to force certain outcomes as propounded by the P4 program and the new zoning guidelines which are not compatible with a free market, competitive economy.

Thus, it can be reasonably expected the qualifying criteria will require the business to pay, or pledge to pay, the city’s desired minimum wage. How would it look if the businesses were granted exemptions from this longstanding social welfare goal of the city? The applying business will likely need to pledge that its employees will have a sick leave benefit. It will have to promise to provide medical insurance. And it will need to verify that to the greatest extent possible it will be environmentally friendly including minimizing the use of fossil fuels by using eco-friendly generated electricity. Businesses that exhibit a hint of not being politically correct will not qualify. And it will be interesting to see what repercussions the city will attempt to impose on businesses that make pledges but fail to honor them.

In short, efforts by the city to require businesses to adhere to its longstanding political ideology regarding free enterprise will not attract the true entrepreneurs who are the most likely to be successful.

Here is a better idea for the city: Make an effort to appreciate the benefits of free markets and real entrepreneurship and the dynamism they create. After all, they once made Pittsburgh an economic colossus. Lip service and grants to cover license costs are not the answer that is needed.

Cut business taxes and abandon the government's anti-business mindset that tries to impose social goals on businesses. Good jobs with good pay are a far superior socially desirable outcome. And stop treating industry as if it is not welcome. Manufacturing is enjoying a resurgence nationally. Those jobs, with their accompanying multiplier effects and high wages, would be good for the city to have.

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