

Has Business Executive Optimism Faded?

In the Lincoln Institute's [*Spring 2012 Keystone Business Climate Survey*](#), executives/managers were asked about the current business conditions facing firms in the Commonwealth. They were also asked to compare the current climate to six months ago as well as about their expectations for the next six months. Survey responses reveal a distinct lack of enthusiasm about the current state of the economy or the prospects for the near future.

When asked if business conditions in Pennsylvania had improved over the last six months and the likelihood of improvement in the next six months, a majority of the respondents indicated they believed conditions have not changed (51 percent) or are about to change (57 percent). Meanwhile, only 17 percent believed things had improved and only 16 percent believe the economy will improve over the next six months. This represents a marked contrast to last spring's responses when survey takers were more optimistic about the immediate future with nearly 40 percent looking for improving business conditions.

The current less optimistic view may reflect actual business conditions as 37 percent of respondents indicated that their company's sales had stayed the same over the last six months and 34 percent indicated that they had gotten worse. These results point to some weakening compared to last spring when 39 percent reported sales had either remained the same and 29 percent said sales had gotten worse.

The lack of improvement in sales has filtered to their views on employment. Two-thirds of respondents indicated that employment levels had remained the same over the last six months and nearly 70 percent indicated that scenario will likely persist over the next six months. Meanwhile, only 16 percent expected to bring on more employees and only 13 percent had more employees than six months earlier. Again a more subdued attitude compared to a year ago when only 55 percent of respondents indicated that employment had remained the same and 51 percent expected hiring to remain flat. Also, optimism regarding greater levels of employment was higher a year ago when 30 percent thought they would be adding employees.

So what might be behind this retreat in optimism? Overwhelmingly, respondents pointed the finger at national economic policies. The U.S. Senate (92 percent), President (89 percent), U.S. House (71 percent) and Treasury Secretary (68 percent) each received very

high negative ratings opinions as did the Fed Chairman (59 percent). This represents a worsening over last year's negative scores for all but the U.S. House (73.6 percent). Additionally, state level officials did not escape the negative opinions as 56 percent and 54 percent viewed the State Senate and House negatively although this represents an actual improvement over last year's opinion (68 percent and 67 percent respectively). The Governor's negative rating rose somewhat from 27.6 percent in 2011 to 32.4 percent in 2012.

Of course pointing fingers at public officials is one thing, but there are issues these business executives would like to see addressed by these officials to improve the business climate and ultimately improve the economy.

At the state level, these business executives showed no appetite for an increase in state spending or tax increases with only a handful thinking that doing so was in the best interest of the Commonwealth. A majority of respondents indicated that the upcoming budget should contain more cuts while a third indicated that the budget should hold steady. Most votes favored cuts to public welfare, human services, prisons/corrections, and higher education. Three-quarters of respondents indicated they would like to see a law limiting increases to government spending to the rate of inflation plus population growth. Furthermore, the majority of respondents believe major reform should come to the General Assembly through a reduction in the number of members, cutting days in session and eliminating pensions.

Another issue these business leaders overwhelmingly agree on is the need to address union power. Over 90 percent strongly favor or somewhat favor the implementation of a Right to Work law in Pennsylvania. In addition over 90 percent favor repeal of Pennsylvania's prevailing wage law.

In short, the Lincoln Institute's survey of business leaders has found a paucity of optimism about Pennsylvania's economy. Indeed, much of the optimism that was present in last spring's survey has dissipated over the last year. Respondents are placing the blame on elected officials—and by inference poor policy decisions—both nationally and at the state level. They believe major impediments to a stronger recovery are union power and the high level of government spending and taxation in the Commonwealth. Elected officials would do well to heed these survey results.

Frank Gamrat, Ph.D., Sr. Research Associate

*Policy Briefs 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>
