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Brookings Tells Us Nothing New About Pittsburgh Economy

Since 2008, the Allegheny Institute has commented many times on the slow arriving recession and its relatively moderate negative impact on the region's economy. With no housing or general real estate boom there was no bust in the region—a major factor in the severity of the downturn in many fast growing cities such as Las Vegas, Phoenix and states such as Florida.

With no net private sector job growth for nearly a decade, combined with an ongoing shift in the industry mix of jobs from goods production (that suffer most in a recession) to a greater share of employment in health, education and government (that are virtually recession proof) the City and region were better positioned to weather a national downturn.

By the same token we have warned that the policies and regulations causing the decade long period of no net private sector job gain are still in place and will continue to suppress the region's and the City's long term economic growth prospects—notwithstanding the possible gains stemming from Marcellus Shale gas exploration and production. Indeed, the City has worsened its prospect by failing to deal with its massive financial problems and implementing job killing prevailing and living wage laws that must be offset by ever more taxpayer subsidies to entice firms to start or expand business in the City.

Now comes the Brookings Institution to confirm for those who do not read our reports that our assessment of the situation was correct. Their report received full coverage in the newspaper that neglects any and all analysis published by the Allegheny Institute.

Brookings points out that the Pittsburgh region's economic recovery is lagging behind other urban regions around the world, ranking 129^{th} of 150 areas studied. During the recession the Pittsburgh region ranked 41^{st} thanks to the fact it did not suffer a major bust in housing or manufacturing jobs. The current 129^{th} place ranking is actually one spot lower than the abysmal ranking for the pre-recession period.

As one of the study's authors put it concerning the recession ranking, "standing still was a good place to be. Standing still now is not something a city should be doing." And that's being generous. Pittsburgh did not stand completely still during the recession. There were job losses and unemployment did rise and remains fairly high compared to the pre-recession level. It is just that the Pittsburgh region had a less severe fall than many places during the worst of the downturn and was therefore able to rank higher in relative performance.

The question now is how long will it take for the Pittsburgh region to recover enough private sector jobs to reach the level attained ten years ago? While some progress has been made over the last twelve months, October 2010 jobs remain 28,000 below the October 2000 figure. And, if growth persists at the pace recorded in the so-called recovery period from 2003 to 2008, in five years the region's total private sector job count will still be 10,000 short of the level posted in 2000. Moreover, most of that growth will occur in education and health with some professional business services gains and a smattering in a few other sectors.

The City, the region and the state need a makeover in their approach to the economy. Reduce the size of government, lower tax rates, eliminate prevailing wage laws, pass right to work, reform the tort system to make it less burdensome and abandon the top down, taxpayer giveaway program that masquerades as an economic development strategy. Stopping teacher and transit strikes and reforming Act 111 would be nice add-ons if the Legislature wants to get really serious.

These changes will require something that has been lacking for a long time. What is necessary is a willingness to take on powerful interest groups in order to do what is best for the general welfare and to restore the economic vitality that is needed in Pennsylvania and the Pittsburgh region. The time will never be better than right now. The longer remedial steps are put off the more difficult they become. Cutting state spending is helpful but until structural changes are made, the underlying problems will not go away and will just get shifted to local taxpayers.

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