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**Disappointing Job Growth--Not A Surprise**

At the June 22, 2004 Regional Investors Council Summit, the Allegheny Conference conceded that its goal of helping the region generate 50,000 additional jobs between 2002 and 2005 was too optimistic. No kidding. The region has actually lost about 20,000 jobs since mid 2002, which means the jobs shortfall is around 70,000 below the Conference's goal. Chalk it up to the hazards of forecasting and wishful thinking.

Over the past 12 months, the job count in the Pittsburgh metro area has continued to decline, despite a robust pickup in job growth nationally. Undoubtedly, a principal explanation lies in the inability of Pennsylvania to foster a significant jobs recovery. Notwithstanding a tiny 0.1 percent increase over the last 12 months, Pennsylvania's employment remains well below the level recorded two years ago. After ranking among the slowest growing states over the decade prior to 2001, the Commonwealth continues its anemic job creation pattern.

There is not much doubt as to why that is. Pennsylvania has one of the highest corporate net income tax rates in the nation, a punitive capital stock and franchise tax and one of the worst labor climates in the United States. Thus, even though the state and local governments have poured enormous amounts of money into "economic development" through grants, low cost loans and tax abatement schemes, Pennsylvania's economy just cannot get any traction compared to dozens of better performing states. We get an endless stream of rhetoric and promises out of Harrisburg about how the next round of giveaways will boost the economy, but grudgingly little action on the real problems that discourage business expansion in Pennsylvania.

The current push to get slots gaming in the state reflects, in large part, a misplaced hope that slots will generate significant numbers of meaningful jobs in the state. Whatever claims are being made for or against slots, the heavy pushing of gaming as an economic development engine is a clear indication that there is little hope of making the substantive changes in the state's business climate that could actually put Pennsylvania's economy on a better footing. There is an implicit recognition that the state will never adopt any of the measures that would signal a move toward more economic freedom such as passage of a Right to Work law, eliminating the prevailing wage law, taking away the right to strike by teachers, allowing free and open competition in cab service, privatizing the liquor stores, or adopting constitutional limits on government spending growth.

What's more, Pittsburgh's business climate is worse than Pennsylvania's as a whole. On top of the state problems of business taxes, anti-business labor environment, nanny state mentality, regulations, etc., companies in Allegheny County face extraordinarily high property taxes along with the RAD sales tax. And, in the City of Pittsburgh, firms are saddled with business privilege and mercantile taxes that are based on gross receipts, not profitability or ability to pay and are therefore very punitive for low margin firms. By raising its parking tax rate to 50 percent, the City has essentially invited businesses and visitors to go elsewhere.

Unfortunately, the region and the state continue to place their trust and emphasis on government guided development efforts requiring grants, loans, subsidies and marketing. The results? More of the same--slow growth, population loss and hand wringing. It would be wonderful to see the region's development leaders work diligently to get taxes reduced, repealing the prevailing wage law, and to get a real beltway constructed. They could also throw their support to school choice to help rein in excessive costs as well as offer desperate parents meaningful opportunities to get a quality education for their children. There is little doubt that in many parts of the Pittsburgh region poor schools are a major impetus driving the loss of people and jobs.

With national manufacturing jobs falling sharply in recent years and little hopes for a major upturn in light of the ever swelling merchandise trade deficit, it is more vital than ever for the Pittsburgh region's political and civic leadership to begin advocating major policy changes that will make the state and region far more competitive than they are now. The "go along, get along" attitude that has allowed the state for decades to drift from one government directed, taxpayer financed development scheme to another has created an addiction to ever more government involvement in the economy. It is time to break that suffocating hold on the state and region.

As we celebrate Independence Day, it is well to remember that the Founding Fathers loathed high taxes and government intrusiveness in the economy and their lives. Rather than just paying lip service to their courage and sacrifices, we should honor them by working for lower taxes, smaller government and a more competitive economy through the use of free market principles in formulating policies.

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**Jake Haulk, Ph.D. President**

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