

ECONOMIC GROWTH AND DEVELOPMENT OPTIONS

Americans have historically embraced the desirability of sustained economic growth. Central to this idea was the belief that unlimited growth and material abundance were the touchstones of the "good life." Rapid growth was welcomed because it provided jobs; jobs, in turn, were associated with enhanced individual and family well-being. So valued was economic growth that its social worth was unquestioned. In recent years, however, some citizens and public officials have suggested that economic growth is not always desirable. This reflects concerns that some forms of economic development may lead to ecological degradation, threaten treasured cultural patterns, and actually diminish the quality of life of residents. These changing views raise questions about public perceptions of economic growth and related public policies. Specifically, how do Pennsylvanians view economic development? What means of promoting economic growth are viewed most favorably? Which are viewed negatively?

The Citizens' Viewpoint surveys provide information on Pennsylvanian's attitudes about a number of different options concerning economic growth in the Commonwealth. Insofar as these findings are representative of Pennsylvanians in general, they provide a democratic forum in which citizens' views and interests can be heard. By gauging the public's attitudes toward such matters, policy makers may be in a better position to understand the nature of public support for pursuing specific economic development options.

In 2001, nearly two-thirds of Pennsylvania's citizens reported that job availability was an issue that should be given higher priority in the years ahead. Job opportunities were also seen in 1990 and 1980 as among the top ten issues most in need of higher priority.

There was regional variation in the extent to which residents felt that job availability was an issue in need of higher priority in the future. In the western and northern sections of the state, where unemployment rates were relatively high, more than 75% of the respondents rated job availability as an issue needing higher priority; in the southeast and capital regions, the proportions of higher priority ratings were just 58% and 48% respectively.

Some Background Information

When examining individual responses to questions about economic development policy it is important to have a basic understanding about the overall health of the state's economy at the time the questions are asked. For example, it is reasonable to expect that peoples' views of

growth might be different in prosperous times from their views in an economic downturn. Such an understanding is especially important when comparing responses at two different points in time. This section provides a brief overview of some important economic indicators and trends for Pennsylvania.

The 1990s was a remarkable decade for the Pennsylvania economy. During the period 1990-99, the state added more than 550,000 jobs, a nearly 9 percent increase from 1990. In December 2000, about the time of the most recent Citizens' Viewpoint, the state's unemployment rate stood at 4.4 percent—a rate only slightly higher than its decade low (4.0 percent in March 2000). In comparison, the state's unemployment rate was 5.6 percent in 1990. Similarly, per capita incomes had grown in the state since 1990. In 1999, the state's per capita income was \$28,619. This represented an inflation adjusted growth of 18 percent. Much of this growth resulted from an increase in worker earnings. After adjusting for inflation, per worker earnings (a good proxy for wages) increased by 10 percent. Dividends, interest and rent (the second largest component of per capita income) grew at an inflation adjusted rate of 8 percent; transfer payments (the final component of per capita income) grew at an inflation adjusted rate of about 30 percent.

Despite this impressive record, the state's unemployment rate just before the time of the survey had been slowly, but steadily increasing. At the same time, the popular media had begun to talk about a recession, and signs were suggesting that consumer confidence levels were starting to decline. Indeed, in the time since the survey, the US and the state both entered into a time of recession.

Prior to the boom of the 1990s, the nation's longest continuous boom had been in the 1980s. During that decade, the nation strongly rebounded from its worst economic times since the Great Depression. In 1980, the nation's unemployment rate stood at 7.1 percent. And Pennsylvania's 7.8 percent rate was even worse. By 1989, the state had added nearly 629,000 jobs, helping whittle the state unemployment rate to 4.5 percent.

At the same time, inflation adjusted per capita income grew in the Commonwealth. In 1989, per capita income was \$24,394, a 24 percent inflation-adjusted increase since 1980. While per capita income grew at a faster rate than it did in the 1990s, per worker earnings growth was relatively flat. After adjusting for inflation, per worker earnings grew at 4.7 percent during the decade. The bulk of per capita income gains came from dividends, interest and rent, which grew at an astounding inflation adjusted rate of 65 percent. Transfer payments (the final component of per capita income) grew at an inflation adjusted rate of about 24 percent.

As in the time of the most recent Citizens' Viewpoint survey, the previous (1990) survey was undertaken as the US was entering a recession, and by the end of 1990 Pennsylvania's unemployment rate was 6.5 percent.

Thus, at the time of the two surveys the general economic conditions in the state were quite comparable. Both preceding decades witnessed record expansions, declining unemployment and rising incomes. The main difference in the two expansions was that investors were the largest

beneficiaries of growth in the 1980s, while workers enjoyed more of the growth in terms of earnings in the 1990s.

Pennsylvanians' Attitudes About Economic Growth

In the 2001 Citizens' Viewpoint survey, Pennsylvanians were asked whether they agreed, were undecided, or disagreed, with each of several statements dealing with economic growth issues, Table 1. (Tables are at the end of this report). These same questions were also asked in the 1990 Citizens' Viewpoint survey, allowing for the assessment of changes in public views over the decade.

Pennsylvanians in 2001 were more likely than those in 1990 to identify the advantages of economic growth and less likely to emphasize its possible negative consequences.

- In 2001, 76% agreed while 14% disagreed that “economic growth improves the quality of life of all citizens in the Commonwealth.” In 1990, the corresponding percentages were 61% and 22%.
- 59% of those in the 2001 survey agreed that “The positive benefits of economic growth far outweigh any negative consequences.” In 1990, only 27% agreed with this statement.
- Almost 30% of Pennsylvanians in 2001 agreed that “There is too much concern with encouraging growth in the state and not enough with limiting it.” In 1990 the percentage agreeing with this statement was 32%.
- In 2001, 50% responded that “Rapid economic growth often creates more problems than benefits.” In 1990, 63% responded in that way.

The apparent improvement in peoples' support for economic growth may indicate more widespread participation in the recent economic boom than in previous ones. The fact that per worker earnings growth was substantially larger during the 1990s expansion than it was in the 1980s expansion suggests that “typical” households -- who rely more on earnings income and less on investment income -- benefitted more from the growth in the 1990s than the 1980s. If more households benefit from growth, it is reasonable to expect that more households would appreciate growth.

There were differences in how people answered these questions depending upon their gender, age, education, and income levels.

- Males were somewhat more likely than females to agree that economic growth improves the quality of life of all citizens, and that the positive benefits of economic growth outweigh its negative consequences. Males were more likely

than females to disagree that there should be more concern with limiting growth, and that rapid growth often creates more problems than benefits.

- Age was inconsistently related to these items. Overall, as age increased, support for economic growth increased. However, increasing age was also related to increasing agreement that there were problems associated with such growth.
- As education increased, there was an increasing tendency for respondents to disagree that growth should be limited, and to disagree that the problems of growth outweigh its benefits.
- Increasing household income was also associated with an increasing proportion of citizens disagreeing with the ideas that growth creates more problems than benefits, and that growth should be limited.

Economic Development Options

The survey also asked respondents to indicate what priority the state should give to each of a list of “ways to create jobs and develop Pennsylvania’s economy.” Four answer categories were presented: low priority, medium priority, high priority, and don’t know. Some of these questions were also asked in the 1980 and/or the 1990 Citizens’ Viewpoint surveys and, in those cases, it is possible to compare Pennsylvanians’ responses in these other time periods with those in the most recent study.

In the 2001 survey, two items were seen as of high priority by six out of every ten Pennsylvanians; both also received fewer than 10% low priority ratings, Table 2.

- “Increasing the technical skills of Pennsylvania’s workers” was given a high priority rating by 61% of the respondents in 2001 and 33% felt that this should have medium priority. Only 4% rated it to be of low priority, and 2% did not know. This item was not asked in 1980 or 1990.
- 60% felt that high priority should be given to “providing incentives to attract new industries to Pennsylvania,” 28% gave this item medium priority, and 9% indicated this should have low priority. The remainder (3%) did not know. The distributions of responses obtained in both 1980 and 1990 for this statement were similar to those obtained in 2001.

With respect to these two findings, it is important to note that economic development experts in the state have gradually broadened the focus of their policies, moving beyond the single solution of providing incentives (such as land and tax breaks) in hopes of luring new businesses to include a new commitment to workforce and incumbent worker training. While incentives are still seen as an important part of state and local development efforts, this new “portfolio approach” recognizes that labor costs can represent 60 percent or more of total business expenses – a much greater share than other costs such as taxes and equipment. The hope for this new approach is

that a commitment to developing a quality workforce will position Pennsylvania as a leader in worker productivity, by far the most important factor in economic development.

Two other strategies for developing Pennsylvania's economy that were given a majority of high priority evaluations and fewer than 10% low priority responses dealt with promoting agriculture and promoting small businesses.

- 58% reported that the state should give high priority to promoting Pennsylvania's agricultural products as a means for creating jobs and developing the state's economy, 34% saw this as of medium priority, 6% indicated it should have only low priority, and 2% did not know. Support for promoting agricultural products was considerably greater in 1990 when 77% gave this same item a high priority rating, and 19% rated it as of medium priority.
- In 2001, 51% indicated that high priority should be given to promoting small business development, with 41% reporting it should have medium priority, 6% rating it as a low priority, with 2% who did not know. The incidence of high priority ratings for promoting small businesses was greater in 1990 (66%) and 1980 (67%) than in the 2001 survey.

For three economic development options, between 40% and 50% of Pennsylvania's citizens indicated that high priority should be given to these activities, and about 10% rated them as of low priority.

- Providing incentives to encourage the expansion of existing Pennsylvania industries was evaluated as of high priority by 46% of the citizens, with 40% medium, 10% low priority, and 4% don't know. High priority for this item was 60% in 1990 and 64% in 1980.
- Recognizing the increasing importance of world markets, 46% of the 2001 respondents felt that high priority should be given to promoting Pennsylvania's international trade/exports. An additional 38% felt this should have medium priority, 9% rated it as of low priority, and 7% did not know. This item was not asked in 1980 or 1990.
- 40% gave a high priority rating and 46% rated it of medium importance to provide state aid to communities that face severe economic hardships, 11% answered low priority, and 3% didn't know. In 1990, 50% reported this to be an area in need of high priority. In 1980, 47% gave high priority responses.

Support for promoting the state's lumber and wood products and for providing technical assistance to aid communities in their economic development efforts declined between 1990 and 2001. These questions were not asked in 1980.

- The percentage of respondents giving high priority ratings to promoting the state's lumber and wood products industry declined from 54% in 1990 to 35% in 2001, while the percentage of low priority responses increased from 11% to 18%.
- Providing technical assistance for community development efforts had 42% high priority responses in 1990; in 2001 this figure had dropped to 30%. The percentage of low priority responses increased from 8% to 13% in the same time period.

Efforts to help businesses to develop work-at-home (telecommuting) opportunities, to promote home-based businesses, and to expand web-based business opportunities received only limited support in 2001, with the percentages of subjects rating these as of low priority exceeding the proportion of high priority answers.

- For each of these items, between 21% and 25% of the respondents rated them as of high priority, while 26% to 31% indicated that they were of low priority. These items were not asked in 1980 or 1990.

Promoting large businesses was less popular in all three time periods than was promoting small businesses, and the proportion of high priority ratings decreased across time at a faster rate for large than for small business promotion.

- In 2001, promoting large businesses was given rated as of high priority by just 22% of the subjects, with 47% rating it as of medium priority, 27% reporting it was of low priority, with the remainder answering don't know. In 1990, promoting large businesses garnered a 40% high priority rating, with 40% giving medium priority responses, 15% rating it as of low priority, with 5% don't know.

There was little support for promoting tourism as a means for creating jobs and developing the state's economy, and support for tourism declined between 1990 and 2001.

- For urban tourism, the decline in high priority ratings was from 35% in 1990 to 20% in 2001, and the increase in low priority ratings was from 19% to 31%.
- High priority ratings declined from 38% for rural tourism promotion in 1990 to 18% in 2001, while the percentage of low priority responses increased from 20% to 36%.

There was also little inclination for people to support the lowering of pollution standards as a way to keep and attract business and industry to the state, and acceptance of this idea had decreased across time.

- In 2001, only 12% gave this idea high priority, with 25% considering it to be of medium priority.
- In 1980, 30% indicated that lowering pollution standards to keep and attract business and industry should be given high priority. In 1990, this level of support had dropped to 19%.

There were differences in how men and women responded to many of the economic development options included in the survey.

- Men were more likely than women to give high priority to providing incentives to attract new industries to the state (62% vs 58%), providing incentives for the expansion of existing industries (48% vs 44%), promoting the development of large businesses (26% vs 18%), and promoting international trade (50% vs 40%)
- Women were more likely than men to endorse providing aid to communities facing severe economic hardships (46% vs 35%), helping businesses to develop work-at-home (telecommuting) opportunities (28% vs 21%), and promoting home-based businesses (25% vs 23%).
- For almost every item, women were more likely than men to report that they did not know what priority should be given to the various development options. However, the incidence of don't know responses was generally low for both males and females.

Respondent's age was associated with differences in the priority given to many of these alternatives.

- For most items, as the individual's age increased, the proportion of subjects reporting that high priority should be given to an item increased. This was true for the priority given to providing incentives to attract new industries and to expand existing industries, promoting the state's agricultural products, promoting international trade, providing aid to communities facing severe economic hardships, promoting Pennsylvania's lumber and wood products industry and lowering environmental standards to keep and attract businesses and industries.
- Increasing age was associated with a decreasing proportion of high priority responses for helping businesses to develop work at home (telecommuting) opportunities, promoting home-based businesses, and expanding web-based business opportunities (e-commerce).

Education and/or income levels of respondents were also related to the priority given to these economic development options.

- As education or income increased, the percentage of persons giving high priority declined for the items dealing with increasing the technical skills of Pennsylvania's workers, promoting Pennsylvania's agricultural products, providing incentives for expansion of existing industries in the state, providing aid to communities that experience severe economic hardships and promoting the state's lumber and wood products industry. These findings support the notion that higher income households may feel less likely to directly benefit from state economic development efforts.
- As educational and income levels rose, the proportion of don't know responses declined for most items, and in some cases these differences were pronounced. This was especially true for the items dealing with telecommuting and web-based opportunities, and providing technical assistance to assist in community economic development efforts.

Summary

Pennsylvanians were concerned about jobs, although the proportion of residents who believed that greater priority should be given to this issue in the future varied by geographical area, with those in the southeast and capital regions less likely than those in other areas of the state to express concern. Overall, citizens expressed somewhat greater support for the benefits of economic growth than they had a decade earlier. This may reflect a broader economic gains from the economic boom of the 1990s than were realized in previous booms.

Increasing the skill levels of Pennsylvania workers and providing incentives to attract new industries were the most often cited means for creating jobs and developing the state's economy. There was also considerable support for providing incentives for expanding existing industries. For most items, the overwhelming majority of respondents indicated that the development strategies presented should have at least medium priority. The most obvious exception to this generalization was the item which asked about lowering pollution standards to keep or attract business and industry. The finding that a majority of Pennsylvanians failed to support lowering pollution standards, while only a small minority rejected the other twelve economic development strategies, suggests that economic growth is indeed an important priority, but the means by which this should be achieved should not degrade environmental quality.

Pennsylvanians were somewhat more likely to support giving direct financial aid rather than providing technical assistance to communities in their economic development efforts. Small businesses were endorsed more than large businesses. Residents as a whole felt that high priority should be given to promoting agriculture, but were more equivocal about promoting either rural or urban tourism.

The priority given to various development activities varied depending upon the personal attributes of the respondents. For some development options, these differences were small; for others they were relatively large. Relatively small differences were found for increasing the technical skills of Pennsylvania workers, for promoting Pennsylvania agriculture and for

promoting small businesses. These options received fairly widespread support by the citizenry across all age, gender, education, and income categories. This suggests that policy makers in the Commonwealth may be reasonably confident that efforts in implementing these economic strategies will receive broad-based support across the state. In contrast, there were both lower levels of support and more pronounced differences among residents in their feelings about lowering pollution standards to keep and attract business and industry, providing aid to communities facing economic hardship, and promoting large businesses. Efforts to implement development strategies such as these would not be expected to enjoy the same widespread support.

The incidence of don't know answers, especially among those with lower education levels suggests that public evaluations of the priority of some issues (for example, promoting web-based businesses and enhancing telecommuting opportunities) may be especially amenable to educational efforts.

Prepared by:

Martin Shields (814) 865-0659 (mxs20@psu.edu)
<http://www.aers.psu.edu/d/fac/shields.htm>

Fern K. (Bunny) Willits (814-863-8647) (fkw@psu.edu)
<http://www.aers.psu.edu/d/fac/willits.htm>

Timothy Kelsey
<http://www.aers.psu.edu/d/fac/kelsey.htm>

Stanford M. Lembeck
<http://www.aers.psu.edu/d/fac/lembeck.htm>

The Pennsylvania State University is committed to the policy that all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. It is the policy of the University to maintain an academic and work environment free of discrimination, including harassment. The Pennsylvania State University prohibits discrimination and harassment against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, sex, sexual orientation, or veteran status. Discrimination or harassment against faculty, staff, or students will not be tolerated at The Pennsylvania State University. Direct all inquiries regarding the nondiscrimination policy to the Affirmative Action Director, The Pennsylvania State University, 201 Willard Building, University Park, PA 16802-2801, Tel 814-865-4700/V, 814-863-1150/TTY.

Table 1. Attitudes about economic development and industrial pollution.

Items	1990				2001			
	Number of Cases	Agree	Undecided	Disagree	Number of Cases	Agree	Undecided	Disagree
Economic growth improves the quality of life of all PA citizens.	3225	61.1	16.5	22.4	4003	75.7	10.6	13.7
The positive benefits of economic growth far outweigh its negative consequences.	3520	27.0	29.0	43.9	3934	59.2	25.4	15.5
There is too much concern with encouraging growth in PA's economy and not enough with limiting it.	3509	31.7	38.2	30.1	3938	29.5	36.1	34.3
Rapid economic growth often creates more problems than benefits.	3498	62.9	21.4	15.7	3972	50.1	24.1	25.8

Table 2. What priority should be given to each of the following to create jobs and develop Pennsylvania's economy?

	Number of Responses	Priority			
		Low	Medium	High	Don't Know
		-----%-----			
Increase technical skills of PA workers	4127	4.2	32.7	61.4	1.6
Provide incentives to attract new industries to PA	4113	9.1	27.6	60.1	3.2
Promote PA's agricultural products	4121	6.1	33.9	57.7	2.2
Promote development of small businesses	4128	6.2	40.8	51.1	1.9
Provide incentives for expansion of existing PA industries	4117	10.2	39.7	46.0	4.2
Promote PA's international trade/exports	4131	9.5	38.2	45.6	6.7
Provide state aid to communities that face severe economic hardships	4089	10.6	46.0	40.1	3.3
Promote PA lumber and wood products	4130	17.9	42.6	35.0	4.4
Provide technical assistance for community economic development efforts	4080	12.8	49.0	30.5	7.6
Help businesses develop work-at-home (telecommuting) opportunities	4133	31.3	38.1	24.3	6.3
Promote home-based business	4104	26.5	44.2	24.2	5.1
Expand web-based business opportunities	4130	26.4	42.3	21.3	10.0
Promote the development of large businesses	4109	26.9	47.2	22.4	3.4
Promote tourism in urban areas	4080	30.6	45.1	20.5	3.8
Promote tourism in rural areas	4054	36.0	42.2	17.7	4.1
Lower environmental standards to keep and attract business and industry	4128	58.7	24.7	12.2	4.4