



Setting THE record straight

Aug. 26, 2008

Improving Pa.'s business climate: Lessons to be learned from the Olympics

Anyone who follows the Olympics knows that at that level of competition, it's mastery of the fundamentals that often is the difference between winning Gold and simply going home. When the competition is tight, the slightest inability can mar an otherwise brilliant performance and put the competitor out of contention.

It's a simple lesson that more of Pennsylvania's elected officials can learn when considering the Commonwealth's competitive standing. The state consistently scores low marks for its overall business climate because policymakers are not paying enough attention to the fundamentals.

Take for example Forbes' annual ranking of states' business climates. Forty states have a better business climate than Pennsylvania. To make matters worse, the Commonwealth dropped from 39th a year ago to 41st in this year's study. The assessment looked at business costs, labor supply, regulatory environment, current economic climate, growth prospects and quality of life.

The Commonwealth was far outranked by competing states, with Virginia named No. 1 in the nation. An incentive-based regulatory environment and the fifth-best legal system helped our neighbor to the south receive top billing.

Pennsylvania was also singled out as a state with a hostile liability climate, according to a recent study conducted by American Justice Partnership for *Directorship* magazine. It's not the first study to give the Commonwealth low marks for its unbalanced, costly legal system.

As in the Forbes' report, Pennsylvania also found itself losing ground from the previous year. According to the study, "Inaction on much-needed legislative legal reform measures has kept Pennsylvania near the bottom among states in most liability categories, with no likelihood of improvement in the short term. Pennsylvania's liability climate strongly discourages job creation and growth."

Pennsylvania's business climate should be a record-breaking performance; instead, the deductions keep adding up, preventing the Commonwealth from effectively competing, let alone rising to a top spot.

The administration's routine has primarily focused on doling out taxpayer dollars to selected companies and projects in return for promises that jobs will be created. While economic development programs do play a part in keeping up with the competition, simply plowing money into a region of a state won't win in the long run. Government incentives can complement a sound business climate, but they should not supplant it. This is where Pennsylvania misses the mark. But states like Virginia and North Carolina know this. Aside from government incentives, they have become great states in which to do business because they have paid attention to the fundamentals, and remain ahead of the game as a result.

Government can provide opportunities for job creation, but real jobs don't come from the government. They come from a free market within an environment of competitive business taxes, limited and efficient regulation, balanced labor laws, and freedom from the risk of arbitrary confiscation due to lawsuit abuse.

Pennsylvania will be at its best when private companies are eager to invest capital in the Commonwealth because the tax, labor and regulatory climate are conducive to operating a business profitably. By making the effort to focus on these fundamentals, our state would be prepared for the Gold.

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The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the Chamber's website at www.pachamber.org

