

## Atlanta possesses 'public' barrier to growing jobs

By: Kyle Wingfield- June 13, 2013

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When it comes to economic freedom, Atlanta ranks toward the top of the nation's metropolitan areas. But among its freest big-city peers, Atlanta's job growth has been sub-par. What gives?

If you missed my June 2 column introducing this quandary, here's some brief background to catch you up. In a first-of-its-kind ranking of U.S. metro areas by their degree of economic freedom, metro Atlanta came in 60th out of 384. That puts us in the top fifth not only among all metros, but also among those 51 metros with at least 1 million residents. And those very freest metros tend to have much faster job growth than their less-free peers. That's the good news.

The bad news is that metro Atlanta's job growth lagged that of the other most-free metros between the country's last two economic peaks (a common measuring stick among economists; specifically, in this case, between March 2001 and December 2007). In fact, some other metros' growth rates beat ours by double digits. Today, let's take a look at one possible culprit.

The creator of the Economic Freedom Index, economics professor Dean Stansel of Florida Gulf Coast University, used to work at the libertarian Cato Institute. Someone who still works at Cato, senior fellow (and University of Georgia graduate) Dan Mitchell, has defined his "golden rule" of economics as follows:

"The private sector should grow faster than the government."

That dictum may help explain why metro Atlanta's job growth doesn't match up to that of its peers.

The biggest job-growth laggards among America's very freest big cities during those years were Atlanta, Dallas and Denver. What do they have in common? All three saw government jobs grow more than twice as fast as private-sector jobs.

In the freest big cities that outpaced that trio, private-sector employment either outpaced the public sector, or nearly did.

Mitchell's rule looks pretty golden right about now, as does the value of Stansel's ranking of metro areas. Their case only gets stronger the more we look.

Among all big metros, 29 had faster private-sector job growth and 22 grew government jobs more quickly. How did those groups compare?

Well, total jobs in the public-heavy metros grew at a 4.2 percent clip. That wasn't a terrible rate; it was slightly faster than employment growth nationwide.

But it was significantly slower than the rate posted by the private-heavy metros: Their jobs grew by a collective 6.6 percent.

We can also look at those metros that outperformed Atlanta, regardless of the economic-freedom ranking. What did their job growth look like?

The 21 metros that bettered Atlanta between the last two economic peaks had collective job growth of 13 percent, and they saw 1.3 private-sector jobs created for each new government job.

And in the 29 that trailed Atlanta? Their collective growth was just 2 percent, and they gained just 0.7 private-sector jobs for each new government position ---barely half as many as the faster growers.

All these numbers point to some entirely intuitive things about the growth of government and its effect on the economy. For one, more government jobs require more tax dollars --- particularly in cities, counties and states that can't borrow or print money as Washington can --- and higher taxes discourage private-sector job growth. The data suggest that, and other factors such as the increased regulation that often flows from a bigger bureaucracy, can become a problem when public jobs grow much faster than private employment.

Speaking of Washington, it's worth noting the federal government actually cut jobs in metro Atlanta during those years. The biggest growth, both as a percentage and in absolute terms, came in local government, although state jobs grew faster than the private sector, too.

Since the recession ended, the situation has reversed: Private-sector job growth has far outperformed the public sector, where employment has actually shrunk. If we can continue the former while stopping the bleeding in the latter, metro Atlanta may have more to brag about in the years to come.