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How to make lethargic L.A. grow

To give investors confidence, pensions must be reformed, spending must be focused on core functions and funds raised through area-specific residential and business improvement districts.

By Robert Krol and Shirley Svorny

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The recent report from the Los Angeles 2020 Commission paints a bleak picture for Los Angeles, with a laundry list of ills facing the city. Our concern is that the commission will recommend options, to come within 90 days, that mimic those of the past: policies that favor specific industries, aim for growth in only particular geographic areas, lend money to firms turned down by banks or target specific types of jobs.

We can't say this firmly enough: An important objective must be to make adjustments that give investors security about the future of city services and tax rates. The commission's observation that 9% of businesses want to leave Los Angeles is no surprise. Because of the city's pension liabilities, we can expect higher taxes and reductions in essential public services. The solution is to adopt growth-oriented policies to increase the city's tax base, reform pensions and focus city expenditures on core functions.

Growth occurs when the conditions are receptive to investment and private enterprise. Few can predict which businesses will prosper in a specific area, and governments can't anticipate specific jobs that should be created. But the right conditions will attract entrepreneurs and investors. To that end, the city needs to eliminate zoning restrictions that dictate what and where things can be built, shift from a business tax to raising money through area-specific residential and business improvement districts, facilitate the permit process and end delays in inspection and approval of new projects.

But the city can't do everything. It must focus on police, fire, infrastructure and environmental controls, and rethink whether it makes sense to have public libraries or to fund cultural activities. Many regulatory functions should be eliminated. For example, taxi regulation and rent control both discourage economic activity. The city should encourage locally initiated residential and business improvement districts to generate taxes to fund local services. This way, only those services that really matter to local residents and businesses would be funded.

Los Angeles has 95 active neighborhood councils. They are well positioned to organize residential and business improvement districts. Shift the responsibility and resources for managing and purchasing city services such as street maintenance, tree trimming, police patrols and garbage collection to the councils. Given their knowledge of local needs, elected council officials are in a position to oversee and improve services. They could solicit bids from existing city or county agencies and private providers. This competition would lower costs and create incentives for efficiency.

Pension reform is key to attract firms and jobs. Without it, essential services would be cut as pension liabilities consume an increasingly large share of the city budget. A reduction in essential services would slow economic growth, leading to a decline in the tax base, resulting in further cuts to services and public jobs. Older employees may take their pensions and move or retire. An effort should be made to work with younger employees who may be open to pension reform to protect their jobs.

Some of the commission's concerns are issues the city can't solve alone. For example, the "barbell" economy — in which the very rich and the very poor are at opposite ends of the spectrum — is not unique to Los Angeles. But given the high cost of land, it makes no sense to expect a big boost in manufacturing jobs here. And just increasing college attendance would not help if there are no jobs. Also, many jobs do not require traditional academic skills.

Traffic congestion is also a problem cited. But, as the report points out, the city can't build its way out of the problem. Congestion could be eased with road pricing, but most people only see the costs and not the benefits.

The solution to the problems facing Los Angeles requires economic growth, focused spending on core functions and pension reform. These are issues politicians and residents have talked about for decades. It is time to pull together a coalition of young public employees, business leaders, neighborhood council members and other concerned residents to support serious budget reform. It's up to voters to educate themselves about the seriousness of the budget problems and to insist that politicians challenge the status quo.

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