

Beacon Hill Byline by Mary Rogeness

November 11, 1992

The Weld plan for economic development

I have written in other columns about balanced budgets and the state's improved bond rating, two government achievements that have strengthened the Massachusetts economy this year. This week I would like to discuss a new initiative directed at economic growth in the commonwealth: Gov. Weld's Economic Development Package.

First, some background on the governor's approach. Social needs and underfunded areas of government responsibility in the state can be funded by either of two ways: raising tax rates or capturing new revenue from economic growth. Both Gov. Weld and I prefer the second source. Jobs created from new growth will provide a good living for the workers and at the same time yield new revenue for State operations.

Gov. Weld's economic proposals offer several approaches to produce that growth.

He identified these areas of need if business is to prosper in Massachusetts: Capital for investment, resources to assist the development of international trade, favorable tax treatment for both investment and capital gains and government agencies that facilitate growth. The package addresses each need.

In order to assist companies that are caught in the credit crunch, Gov. Weld proposes the formation of three funds to serve as guarantors of business loans. Small businesses, emerging technology companies and exporters will gain new access to capital from private banks.

Tax benefits from the program include provision for a three-percent investment tax credit and a six-year phase-out of the tax on capital gains. The proposed tax credit would be most generous in the nation, and it is seen as a useful incentive for out of state companies to relocate In Massachusetts.

The most technical aspect of the whole package deals with our state's quasi public enclave and its alphabet soup of organizations such as MIFA, MEFA and CEPAC that oversee investment in the state. Growing businesses often end up dealing with multiple agencies. One businessman testified that four agencies, three underwriters and four general counsels participated in a single loan closing for his company. The agencies are based in Boston, and they are not perceived to be "user friendly." Gov. Weld's proposal would unify the agencies as the Massachusetts Development Authority. It will have the charge of providing "one-stop shopping" for new and growing businesses. And it will have autonomous regional offices, so that Springfield businesses can do business in Springfield.

Will the Legislature enact these laws? Neighboring states are competing for new business development, and Massachusetts needs these tools to compete. Legislators from both parties seem to agree on that principle while disagreeing on details. Activity on Beacon Hill next month will indicate whether new Democratic strength in the Senate turns the proposals into a partisan debate. It is my personal belief that most of the package will be enacted. Turnpike revenues may fall if local businesses can function without numerous trips to Boston, but the overall economic payback to the Commonwealth will be great.