Reading Between the Lines

CAPITAL FORMATION PLAN SEEKS LOWER TAXES FOR BIG BUSINESS

For the past few months, the Governor's Task Force on Capital Formation for Economic Development has been taking a close look at the Massachusetts economy, trying to determine ways to use the full resources of the Commonwealth to create a healthy and growing economy.

The Task Force consists of people representing the executive and legislative branches of state government, private industry, private finance, unions and individuals with special expertise in development finance, economic development and public policy.

Four areas of concern received the attention of the Task Force:
1) the development of new enterprises and new technology;
2) the expansion of existing industries in the state;
3) the special problems of capital formation for economic development in depressed areas; and
4) the impact of overall state tax, revenue and expenditure policy on capital formation and industrial development.

The Task Force has endorsed in principle four short run tax "reform" proposals. These proposals continuously emphasize the relieving of tax burdens for corporations, which brings a couple of questions to mind: (1) would these tax reforms actually encourage capital formation, job and/or economic development; and (2) would there be a shift to low and middle income folks' taxes to pick up the slack created by alleviating the tax burden of the corporations.

Back in 1972 the banking and insurance industries were criticizing the state and especially the Governor for having an "anti-business attitude."

Corporations and large manufacturers were complaining about that "anti-business attitude." And so the "anti-business state" slogan was born.

Large corporations also complained that they had poor access to either the legislature or the governor's office. The fact that Governor Sargent had some concerns about the environmental integrity was very disturbing to many businessmen who found themselves saddled with the new requirement for preparing environmental impact statements.

At the height of the attack on the Governor in late 1972, James Hawell, chief economist of the First National Bank released a paper entitled "Look Out Massachusetts," which forecast a 10% unemployment rate and further erosion of the industrial base if the state did not "shape up" by freezing its budget and taxes, and by introducing legislation more favorable to big business.

By the beginning of 1974 a whole series of new business incentive bills were passed and enacted into law. Then and only then did the criticism subside.

So here we are in the later months of 1976. That "anti-business attitude" slogan has been echoing around the state, and the Task Force on Capital Formation for Economic Development is considering proposals that would cut taxes of big business. It doesn't take much imagination to see the similarities between the 1972 situation and the situation we are presently in.

So don't be surprised one day soon to find the insurance industry, the banks, and large corporations enjoying the fruits of the "anti-business attitude" seeds that were planted back in 1972 and fertilized in 1976. R.R.

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