

## Massachusetts still sizzles, but can it last?

**T**he Massachusetts economy is sizzling. The annual average unemployment rate for 1998 was 3.3%, the lowest annual rate since 1988. Unemployment has declined for seven consecutive years.

Employment has grown by almost 2% over the last year; a record 3.2 million people are working. Today, residents in the Bay State enjoy the third highest level of personal income per capita, more than 23% higher than the rest of the nation. Business confidence is positive. *Inc.* magazine has declared Massachusetts the East Coast leader for hosting the fastest-growing companies. Venture capitalists love Massachusetts, investing one-seventh of the nation's VC financing in Bay State companies during the third quarter of 1998.

The reasonable question is, can this last? Given past episodes of vanquished Massachusetts miracles, jitters about Asia and Latin America and concerns about how to sustain projects like the Big Dig, just how well will the Commonwealth fare?

In an effort to gauge the economic outlook for 1999, a panel of experts peered into the future at a BHI forum for approximately 100 people gathered at the Newton Marriott Hotel in December.

Sizing up the gains of the current expansion were Richard DeKaser, Senior Economist, BankBoston; Bruce Holbein, Vice President, Massachusetts Software Council; Frederick Laskey, Secretary, Executive Office of Administration and Finance for the Commonwealth; and Michael Reuttgers, President and CEO, EMC Corporation. Blending optimism with caution, the group pointed to the state's strengths, the triumphs of its policies, and the importance of innovation to making it in Massachusetts. As a package this bodes well for Massachusetts in 1999, a slow-down notwithstanding.

Prompted by moderator Caleb Solomon of the *Wall Street Journal* and guest interviewer Ted Bunker of the *Boston Herald*, panelists offered strategies the state might take to smooth a path amid an

*continued on page 4*



**SIZING THE SIZZLE** – EMC Corporation's Michael Reuttgers (l) describes the economic prospects for 1999 during BHI's breakfast forum as BankBoston's Richard DeKaser (r) looks on.

## BHI affixes STAMP to Lone Star state

**I**f four tax-cut proposals pending before the Texas Legislature are enacted into law as a whole, Texas will create almost 51,000 new jobs. In addition, the Texas economy will realize close to \$6 billion in new investment.

This is the conclusion of analysis performed by the Beacon Hill Institute on behalf of Texas Public Policy Foundation. BHI enhanced STAMP, its State Tax Analysis Modeling Program for application to Texas and concluded that 50,830 new jobs and \$5.97 billion in new capital spending will result from the tax cuts. The 3.5% trim in the budget will give Texas homeowners and businesses more than \$1 billion in tax relief.

David Tuerck, BHI Executive Director, joined Jeff Judson, President of Texas Public Policy Foundation in Austin in February

to unveil the model and the results of its first simulations. "We wanted to see how every Texan will be impacted by these proposals," said Judson. "This study shows these cuts are good for the economy."

The study also examined the impact a recent tax decrease has had on homeowners and businesses. In 1997, Texas raised the homestead exemption by \$10,000. The study found this tax cut results in the creation of 25,449 jobs and causes \$4.2 billion in additional investment in the economy.

The tax proposals included a reduction in the sales tax for selected items, a research and development business tax cut, a property tax cut and a franchise tax exemption for certain businesses.

STAMP was first developed in 1994 to analyze the effects of a proposed gradu

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## From the Executive Director

**I**n *The Theory of Moral Sentiments*, Adam Smith described what he called the man of system. The man of system, he said, is “often so enamoured of his own ideal plan of government, that he cannot suffer the slightest deviation from any part of it ... He seems to imagine that he can arrange the different members of society with as much ease as the hand arranges different pieces on a chessboard.”

The right to free speech and to bear arms are roughly parallel. Both are guaranteed under the Constitution, and the law protects innocent persons from the abuse of either. Implicit in the Constitution is a presumption in favor of freedom. The Constitution sets the bar high for anyone who would, through the legislative or judicial process, curtail anyone else’s freedom of speech.

Now we face questions about how to weigh the right to bear arms against the “ideal plan of government.” Witness a federal court verdict holding U.S. handgun makers responsible for deaths and injuries suffered as a result of crimes committed using handguns.

A recent *Boston Globe* opinion editorial supports this verdict. The author writes that, whereas U.S. gun manufacturing generates \$2 to \$3 billion a year in revenue, the “costs to society” in terms of medical care, police services and the like are as much as \$33 billion per year. Thus viewed, “you have an argument stronger than ever before that handguns have no place in the hands of civilians.”

The problem with such reasoning is that it undervalues freedom. Free societies are often messy. We don’t always like what happens in them. But this inherent lack of predetermined or-

der – messiness, if you will – is the price we pay for freedom. Should we nod away any of the rights and freedoms the Constitution gives us as Americans? I, for one, don’t want to be a pawn on someone else’s chessboard.

### *1999: More of the Same?*

In December BHI hosted a forum, *Sizzle of Fizzle: The Massachusetts Economic Outlook for 1999*. In this issue of *NewsLink*, we bring you the highlights of the forum. We also conducted a survey of BHI friends for their thoughts on the coming year. We wanted to know how these taxpayers felt

about the strength of the economy in 1999. We also wanted to know their thoughts on key public policy issues, some of which are subjects of BHI’s current research and others of which are under consideration for study by BHI. The complete forum transcript is on our website ([www.beaconhill.org](http://www.beaconhill.org)) and we will post the tabulation re-

sults of all survey questions shortly. For all of you who responded to our survey request, a hearty thanks.

### *How STAMP became a (Lone) Star*

At the request of Texas Public Policy Foundation in San Antonio, BHI enhanced our State Tax Analysis Modeling Program (STAMP) for Texas. Texas STAMP allows TPPF to simulate tax proposals in that state for their effects on the economy. Already, STAMP has helped show how several proposals could generate more than 50,000 new jobs in that state.

### *Thorny Stearns: A good friend*

Finally, when Thornton Stearns died, BHI lost a good friend and advisor. Our thoughts are with his wife, Phyllis, and his family.

David G. Tuerck

*Should we nod away any of the rights and freedoms the Constitution gives us as Americans? I, for one, do not want to be a pawn on someone else’s chessboard.*



*NewsLink* is published quarterly by the Beacon Hill Institute for Public Policy Research at Suffolk University. The Beacon Hill Institute focuses on federal, state and local economic policies as they affect citizens and businesses, particularly in Massachusetts. The institute uses state-of-the-art statistical, mathematical and econometric methods to provide timely and readable analyses that help voters, policy makers and opinion leaders understand today’s leading public policy issues.

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## Thornton Stearns, BHI advisor, dies

**T**hornton "Thorny" Stearns, longtime BHI advisory board member, died in December. He was 76. Mr. Stearns was a founder of Vacuum Barrier Corporation of Woburn, Massachusetts and served as its president for more than four decades. He was a graduate of M.I.T.

In addition to his professional accomplishments, Mr. Stearns was involved in many community organizations. He will be remembered for his enthusiasm and his genial manner, and as a champion of private enterprise.

Mr. Stearns is survived by his wife, Phyllis, and his three children.

Ray Shamie, BHI Senior Advisor, said of Mr. Stearns: "Thorny Stearns believed in the mission of the Beacon Hill Institute. He gave generously of his time, resources and ideas. We will miss his good humor and his counsel, but most of all, we will miss his friendship."

## Tuerck serves on Governor's Economic Group

**G**overnor Paul Cellucci appointed BHI Executive Director David Tuerck as a member of his Economic and Fiscal Policy Working Group organized following the November 1998 election. Economist Martin Feldstein chaired the transition group of distinguished economic and business leaders charged with making fiscal policy recommendations to Governor Cellucci and Lieutenant Governor Jane Swift.

The administration will file legislation to implement recommendations made by the transition group.

## Texas

*continued from page 1*

ated income tax on Massachusetts. Since then, it has been used to examine numerous tax-policy proposals in the Commonwealth. STAMP has also been enhanced for use in Ohio, Oklahoma, New Jersey, and in limited version, in Iowa and Louisiana.

"From our analysis, it's clear that with these proposals, Texas taxpayers are winners, businesses are winners and the economy gets a boost," said Tuerck. "That's good all around."

## Media Mentions

Our Texas STAMP model received coverage in the *Wall Street Journal* (Texas Edition), "Texas Alters Analysis of Tax Cuts to Account for Economic Effect" on February 10, 1999. On February 4, the *San Antonio Express News* covered the story, "Group says tax cuts to bring more jobs, spending." The *Austin American-Statesman* also provided coverage.



BHI was cited in *Mass High Tech's* editorial of February 1, "Income tax rollback makes good economic sense." The *Boston Business Journal* commented on our tax analysis in its February 5 edition. On December 8, the *Boston Herald* pointed to our analysis of a proposal to reduce the personal income tax rate to 5% in an editorial, "A good argument for state tax cut."

On December 14, *Mass High Tech* reported on our economic outlook forum, "Pundits predict Bay State economic outlook will remain healthy in 1999." The *Patriot Ledger* covered the story on December 10, "Positive Outlook: Experts see state avoiding recession."

The *Boston Herald* noted BHI in a story on December 10, "Bay State officials say reform will pay off in future."

David Tuerck appeared on WHDH Television on November 25, 1998 discussing the Massachusetts Turnpike. He was interviewed by WBZ Television on November 18 discussing the same subject.

On November 5, David Tuerck appeared on WGBH Television's "Greater Boston" with Emily Rooney to discuss Massachusetts legislative pay increases.

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## Forum

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amount of uncertainty.

Here are excerpts from the forum:

### On the Economic Outlook

**Richard DeKaser:** "We've already seen very compelling evidence that the slowdown is underway. Over the course of this year, we have seen gradual declines in help wanted advertising to fill new positions. We have seen a slight escalation in additional claims for unemployment insurance for (recent) layoffs, suggesting that layoffs are a legitimate story. In this state they've been contributing to the bona fide slowdown. And that will be affecting manufacturing industries, largely outside the 495 beltway. I think we are going to see an extension of that story unfolding through the balance of next year.

"There will (also) be a slowdown in the manufacturing sector due to the greater impact of the high value of the dollar. This affects us in two ways: the experience of diminished sales overseas and the layoffs at high-tech companies that explicitly identified with the Asian market. We're seeing a downturn there."

**Bruce Holbein:** "I think one area we all have to worry about is the labor shortage. You can't pick up the newspapers these days without seeing articles about it. This will have a real drag on growth in Massachusetts. We are losing population. Right now, unfortunately, one of the key ways to attract skilled workers is through the immigration of foreign workers. Federal legislation has helped this by increasing the cap on visas. But that's not going to be a solution.

"The solution is to look to ourselves and find better ways to retrain our existing workforce. Millions of dollars come into Massachusetts each year for training but we don't have a good inventory of who's receiving those dollars and for what purpose. I think that is tops on everyone's list from a public policy perspective: How do we improve the existing skills of our

workforce to meet the demands of an innovation economy?"

**Frederick Laskey:** "As we sit here everything would appear to be rosy from the Commonwealth's point of view. The unemployment rate is the lowest among industrial states. The employment levels in the Com-

economy. It takes a while for the withholding to drop off and people continue to spend, thinking that things are going to continue as they are. So, the models are providing a sobering and cautious effect for us. I have to add that 4-5% revenue growth is not a recession, by any means. It's fairly steady and is kind of moderating the boom that we have had. The question is: What can the Commonwealth do to maintain that boom? In my opinion, there is little we can do to overcome worldwide economic trends including the situation in Asia. But what we can do here is position the Commonwealth so that we are competitive with other states."

### Tax Policy

**Frederick Laskey:** "We are well positioned and have managed the economic boom effectively. A good example of this is that we have cut taxes 28 times. [The executive and legislative bodies] have worked to craft targeted tax cuts for various industries including the financial industry, the banking industry and the manufacturing industry. These are too big to be called 'boutique tax cuts.' They really are targeted tax cuts when you see them in conjunction with personal income tax cuts like the capital gains tax cut. We have \$1 billion in tax cuts this year alone, as a result of the increase in the exemption for personal income and the dropping of the rate of the so-called 'unearned income' tax from 12% to 5.95%."

**Michael Ruettgers:** "I think some of the changes have been useful to us, particularly moving away from the higher unearned income tax. Part of the attraction for people who come to work for high-tech companies is the expectation that as an equity participant they can increase their wealth.

"At the federal level, we have had reductions in capital gains. At the state level, the cut in the unearned income tax rate has been helpful to us. Still, even has



**At BHI's Sizzle or Fizzle Forum:** (Top) Moderator Caleb Solomon makes a point. (Bottom) Forum participants (l-r): Ted Bunker, Business Editor, *Boston Herald*; Caleb Solomon, New England Edition Editor, *Wall Street Journal*; David Tuerck, BHI Executive Director; Michael Ruettgers, President and CEO, EMC Corporation, Frederick Laskey, Secretary of Administration and Finance for the Commonwealth; Richard DeKaser, Senior Economist, BankBoston; and Bruce Holbein, Vice President for Public Policy, Mass. Software Council.

monwealth set a record for the third or fourth straight month as we came through the fall.

"Right now with \$230 million over the midpoint of the estimate in revenue collections, you might say, 'We don't need to worry.' I think that would be a mistake. The models that the Revenue Department uses (it subscribes to three different economic models) are showing a slowing of growth. Often times what happens is that the revenue slowdown will lag behind what's actually going on in the

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## Forum

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though the Legislature and the Governor have done a lot, there is a stigma of taxes in this state. In getting skilled employees, it's not a silver bullet but it's part of the equation."

**Bruce Holbein:** "Tax policy matters a lot to the availability of risk capital. Two key areas are areas where key reforms have been made: (a) the ending of the distinction between earned and unearned income and (b) the interest in maintaining the capital gains phase-out. These are two very important changes at the margin in tax policies for the formation of risk capital. I don't know if you want to call this industrial policy or just good smart tax policy. It's an example in which the state, the business community and the press come together to see that this makes good sense."

### *Finding skilled workers in the state's labor market*

**Michael Ruettgers:** "I think the primary challenge here in Massachusetts relates to the ability to find skilled people. Another problem has to do with infrastructure. First, there is the physical infrastructure, by which I mean mundane things like transportation and sewers; and then there's intellectual infrastructure, which relates to the quality of the products of people coming out of the high schools and the college classrooms. Those products don't meet the standard that we need for a workforce – even on the manufacturing side. Indeed, not all the people we are getting are even literate."

**Richard DeKaser:** "[Massachusetts] used to be largely endowed by virtue of our local university system. This gave us tremendous advantage. But other people have caught on, whether through supporting venture capital, either directly or indirectly, or by better funding of higher education. People have come to a greater understanding of the nexus of technology transfer between higher education and finance and a rapidly growing wealth-generating economy. So what we've come to experience over the past decade is that the state's eminent position in many of these regards

## Survey says: Mass. strong in '99

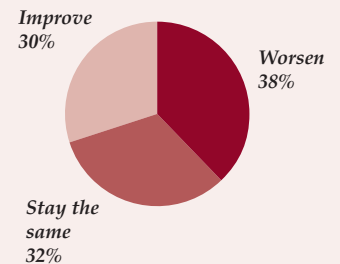
This January, BHI surveyed by mail a select group of Massachusetts taxpayers consisting of Republicans, conservative Democrats and libertarians for their opinions on a variety of economic and public policy issues affecting citizens in the Commonwealth.

This informal survey was part of BHI's State of the Household Project, which also includes scientific polling of Massachusetts residents. We received close to 200 responses.

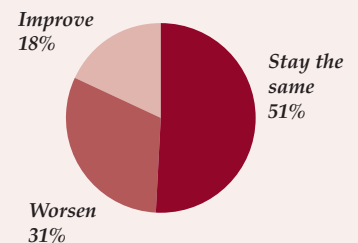
### *The Economy in '99: Three Perspectives*

When we asked for their perceptions about the economy, our respondents indicated they were still uncertain about the economic prospects internationally. However, when it came to the national and Massachusetts economies, more than half indicated confidence that these economies will remain the same throughout the year. Among the global, national and Massachusetts economies, respondents indicated the most confidence in Massachusetts.

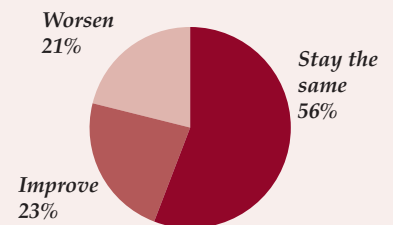
During 1999, do you expect the **global** economy to...



During 1999, do you expect the **national** economy to...



During 1999, do you expect the **Massachusetts** economy to...



has been eroded ... Ten or 15 years ago, for example, Florida was worried about becoming a hamburger-flipper economy. It has not. One of the things it did was to direct the state's investment in certain areas to replicate some of the assets of Massachusetts."

### *On interstate competition*

**Michael Ruettgers:** "Most of the high-tech industry today is, in fact, centered in Silicon Valley which was not the fact 25 years ago when it was centered here in Route 128 ... There are other centers appearing. And I'm concerned ... that we are losing our influence here. There's a need in fact to support the growth of companies here both on the tax side and ... on the infrastructure side. There's been only one new exit on the Mass. Pike built in the last 23

years. Workers start to look at how long a commute they have. 'How long does it take for me to get off of 495?' If I work in the Marlborough area, for example, that area backs up three or four miles every morning. And once you get off these highways you end up with sewage problems that restrict your ability to build plants. From that standpoint it's very much of a hassle. I have to tell you that employees, particularly high-tech employees, have options of going to these other places. With California you won't get a short commute, but certainly that's the case in Raleigh-Durham and some other places. That quality of life becomes very important... States are recognizing what it takes to win. Do you know which

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**CASTING A BHI JOB SHADOW** — Two students from Brighton got a taste of what it's like to work at the Beacon Hill Institute as part of the Boston Private Industry Council's Job Shadow Day on February 2. Sean Glynn ( r ) and Jose Hernandez ( l ), both sophomores at Brighton High School, spent most of the day shadowing Publications Editor Frank Conte as he went through his daily routine. But not every minute was spent watching. Glynn and Hernandez were assigned graphic design tasks for BHI's web site and publications. This year, 739 Boston public school students participated in Job Shadow Day, which was a first for BHI.

## Forum

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state has had success in the last two years getting new plants located there? Ohio. It's not even considered one of the high-tech states. So competition is important not only in the private sector, but also in the public sector. You have to be able to compete across a broad range. The playing field is very competitive.

*If you are going to have an innovation economy, you need risk capital. You need venture capitalists who are going to make high risk bets because in an innovation economy many of the bets fail. Tax policy matters a lot to the availability of risk capital.*

*- Bruce Holbein*

**Frederick Laskey:** "It's a very competitive situation. Various states are actually competing to lure business away from us. That's why we have to adopt an aggressive pro-business position ... We are more competitive, we have put more money back into the economy through tax cuts and we've also attacked some of the

other costs of doing business in the Commonwealth. The unemployment tax has been reduced, workers compensation rates have dropped dramatically and the whole utility deregulation kicking in is

going to provide industry with the ability to negotiate lower electrical rates. Clearly we are a high-cost state for energy. Anything that helps us on that front really is important. If you look at that side of it, we've done well in positioning ourselves for the future."

**Richard DeKaser:** "We made a number of public policy choices in the past years. In order to clean up the harbor, the Massachusetts Water Resources Authority passed costs on to Boston residents. This is a tradeoff. We have had Title V to keep our groundwater safe. Again, it costs money to do these things. Recently, my own town took 150-plus acres out of development because people would rather have geese and hawks instead of a new housing development. This reduces the amount of housing and thus prices go up. So we have made public policy choices that give us a slightly higher cost base in Massachusetts and that in part explains why Massachusetts has historically been a relatively slow growing state just in terms of jobs. So it does become more of an issue perhaps in slowly growing markets. But this has been long a characteristic of the Massachusetts economy."

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## Flipping through the rule book of the new economy

*New Rules for the New Economy: 10 Radical Strategies for a Connected World*

Kevin Kelly, Viking, 1998, 181 pages.

Reviewed by Frank Conte

**C**arver Mead, one of the inventors of the computer chip, is famous for saying: "Listen to the technology. Find out what it is telling you." This dictum is now a hard-wired belief among information-age evangelicals.

For those of us with tin ears, comfortable with our tried and true measures of progress, a battalion of futurists, theorists and journalists stands within an earshot to beat the drum: the fragmented, chaotic, discontinuous change unleashed by the computer chip is here to stay. The world of the hard (durable goods, etc.) is at its twilight and the brave new world of the soft (services, software, etc.) will dominate.

Getting us prepared for the new economy is the *raison d'être* of Kevin Kelly's new book, *New Rules for the New Economy*.

At times, Kelly's drumbeat is scattershot, repetitive and over-extended. But he is decidedly provocative. Although he does not dwell on economic policy, Kelly has little patience for those who would like to fine-tune the economy. Thus, policymakers who "continue the grand fantasy" of preserving rust belt/smoke-stack jobs will certainly be disappointed. The number of factory workers may, within a generation, equal that of farmers. Moreover years from now "many of the jobs that are being fought over by unions today are jobs that will be outlawed within generations as inhumane." In a connected world the opportunities will be endless.

Between 1990 and 1996 the number of people making tangible goods decreased by 1%, while the number employed in providing "services" (intangibles) grew 15%. The people making automobiles, washing machines, tools and such constitute a mere 18% of U.S. employment. Of those, three-quarters perform network economy jobs — gathering information on how to make cars lighter or appliances more efficient, or searching the globe to find new niche markets or capital.

The evangelicals of the new age audaciously tell us that if we aspire to operate our companies like General Motors, we will be road-kill on the information superhighway. They tell

us to give our products and services away for free — or almost free — in order to position other product lines. They tell us that trust and a "gift economy" are just as important as cash. Moreover, playful, seemingly inefficient surfing on our PCs will pay dividends in the long run because as we explore the Web we follow our curiosities — inventing new needs that can be satisfied. And herein, declares Kelly, lies progress.

Technology, once slow to make its impact upon ordinary life, is now at the center of our lives. Kelly writes, "In classical economics — based on the workings of the brick and smokestack-technology was a leftover. To explain economic growth, economists tallied up the effects of the traditional economic ingredients such as labor, capital, and inventory. This aggregate became the equation of growth. Whatever growth was not explained by these factors was attributed to a residual category: technology. . . We see now, particularly with the advent of the network economy, that technology is not the residual, but the dynamo."

It is not impossible to suggest that technology could bring disparate discreet computer chips together to form a real-time data network that will shape our lives and create new opportunities. Mercedes Benz is planning to include a Web server in its high-end automobiles so technicians can perform troubleshooting tasks remotely. Privacy considerations aside, soon even clothes, canned fruit and light switches will have embedded chips to relay consumption information to providers.

Ironically today's farmer illustrates the way technology is transforming American agriculture. His tractor has a telephone, a Global Positioning System location device, and sensors. His PC is connected to weather data and worldwide grain markets. Sensors in his soil speak to his tractor improving production. We may bemoan the loss of farmland but

today's farmers are far more efficient thanks to technology.

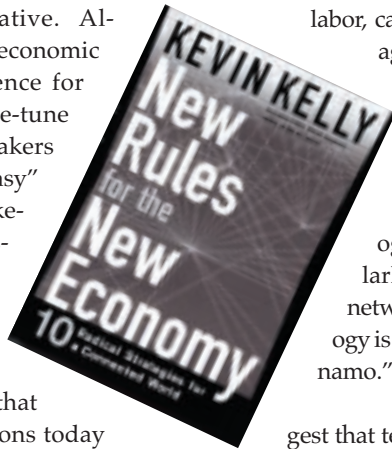
Plentitude not scarcity will drive the new economy. Textbook economics declares that the supply of products will increase only if prices increase. But Kelly says that in the new economy supply increases as prices go down.

"The quicker the price of transportation drops, the more quality and services and innovation are embedded into cars, planes, and trains lifting the quality of the 'wants' they satisfy."

Among the only thing that is scarce is human attention and this is the center of Kelly's most radical idea. "Only by giving 'free stuff' away can you realize the potential values of services that could arise from that free product." In the world of the soft, the free software movement is distributing products such as Linux and Apache (erstwhile competitors to Microsoft Windows and Microsoft NT operating systems). The open standards of both products — as opposed to the proprietary ones owned exclusively by Microsoft — enable software engineers to change and modify the product. The software in and of itself is hardly worth the floppy where it resides. It is the growth industry of training, development and accreditation around such free products that matters.

However, the world as we know it, is much different from the world of software. Current institutions will not always meld easily into the world of the soft. Privacy, trademark and copyright laws will resist Kelly's move toward the free and the open. Moreover, notwithstanding the Internet Freedom Act which places a three-year moratorium on local, state and federal taxes, the tenacity of the more than 80,000 government jurisdictions within the United States (not counting those worldwide) and their thirst for revenue will not fade anytime soon. For some, free has its price.

*Only by giving "free stuff" away can you realize the potential values of services that could arise from that free product.*



## In Point of Fact

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*ho really pays the taxes*

Thanks in large part to the new \$400-a-child tax credit, nearly 48 million Americans will pay zero income taxes for 1998, according to a Congressional study. At the same time, the Joint Committee on Taxation estimated that people at the higher end of the income spectrum — above \$100,000 a year — will shoulder 62% of the 1998 income tax burden, compared with 56% the year before. The 47.8 million Americans who owe no income taxes represent more than a third of those required to file. Associated Press, December 15, 1998.

*What they need is a charitable tax credit*

Research by the Urban Institute indicates there are hundreds of faith-based organizations in every metropolitan area, run by churches, synagogues and mosques. Besides emergency food and clothing, they provide tutoring and computer training, maintain city parks, supervise delinquents released on probation, give mortgage counseling, rehabilitate houses, offer day care, and run health clinics. Taken together, they constitute a “critical mass” that may be capable of explosive expansion — though no one is quite sure how to trigger it.

David Boldt, Knight Ridder Newspapers, November 1998.

*One way to resolve disharmony*

France and Germany think that low overall corporate tax rates, not just specific incentives, could count as unfair competition. In Brussels, French Finance Minister Dominique Strauss-Kahn said that fixing corporate tax rates was “the whole idea” behind tax harmonization. France and Germany, with their expensive welfare states, are loathe to cut corporate taxes to the low levels of countries like Ireland, so they want the Irish to raise theirs. *The Economist*, December 5, 1998.

*The tax bite, bigger than ever*

A simple look at the budget math shows that taxes are taking an unprecedented share of income growth. In the past year, higher personal income taxes (not counting Social Security) have consumed 34% of the growth in personal income, nearly twice the share intended by the administration in its record-setting 1993 tax increase... In the past three years the share of household income taken by personal income tax has risen by 2.4 percentage points. Therefore, it could be argued that 80% of the drop in the saving rate over that period is due to a bigger tax take. A 10% tax cut would restore a bit over half of this take, while providing both the U.S. and the world with some dearly needed economic insurance.

Lawrence Lindsey, *Wall Street Journal*, December 9, 1998.

*Another dubious Massachusetts distinction*

Last year at this time, a national analysis of income and charitable giving ranked Massachusetts 49th in the nation, ostensibly making residents of the Bay State the second most selfish people in the country. No longer. The new *Chronicle of Philanthropy* “Generosity Index,” shows that Massachusetts has slipped one spot, and now ranks dead last. That means Massachusetts has the third-highest percentage of wealthy people - those making more than \$100,000 per year - but ranks 43d in per capita giving, the greatest discrepancy in the country. Allis Valdes-Rodriguez, *Boston Globe*, October 25, 1998.

*Ah, yes, Cambridge*

Cambridge has long been a hot spot for rising young companies and major corporations alike. But the high tech and biotech firms hunting for office space in the city across the Charles River may soon have something else to ponder: a sweeping new initiative that could force some companies to organize carpools and install showers for employees who prefer to bike to work.

Scott Van Voorhis, *Boston Business Journal*, February 5, 1999.

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