

The Boston Globe

EVAN HOROWITZ

Inside Baker's economic plan, Coakley's education offer



By [Evan Horowitz](#) | GLOBE STAFF SEPTEMBER 25, 2014

This article contains the Globe's first mention of New Jobs' job-growth proposal to eliminate the inventory tax. Please note how the paper positions this critical jobs policy.

We've reached that point in the campaign season when candidates start releasing policy proposals — and their opponents start poking holes in them.

The two initiatives attracting the most attention are Republican gubernatorial candidate Charlie Baker's plan to improve the state's economy and Democrat Martha Coakley's plan to expand early education. Each has its share of lofty campaign rhetoric, but there is enough concrete detail to begin assessing their real cost and possible impact.

Baker's proposal is far more expensive than he has admitted, and Coakley's plan is far less ambitious than her rhetoric suggests.

Baker's economic development plan — what would it do?

Baker's economic development plan is a grab bag of ideas meant to help businesses, aid municipalities, and match students and job seekers with employers.

Many of these ideas take the form of tax breaks, including a tax break for companies that hire veterans, a break for businesses with minimum-wage workers, tax-free zones in struggling cities, and a broad tax exemption for business with less than \$500,000 in profits. There is also a pledge to increase local aid to cities and towns whenever there's an increase in state tax revenue.

What would it cost?

Tax breaks cost money, just like any other spending. It doesn't really matter whether you give \$1 to a business that hires veterans or whether you reduce its taxes by \$1. The effect is the same: The business ends up with more money, the state with less.

The Baker campaign has said that the plan as a whole would cost about \$300 million, but that seems like a very low estimate.

By my calculations, it would cost more just to implement the one tax break for businesses with minimum-wage workers (there are about 480,000 workers in Massachusetts earning less than the new \$11 minimum wage; about a quarter of them work in businesses with fewer than 50 employees; a \$3,000 break for each comes to roughly \$360 million).

Continued on other side

For the rest of the Globe's comments on Baker's economic plans, please turn the page.

Beyond that, it would cost nearly \$200 million to repeal the “state inventory tax,” according to the business-friendly advocacy group New Mass Jobs [sic] [that’s New Jobs’ web address]. And the exemption for companies earning less than \$500,000 would cost another \$60 million or so — to say nothing of the tax-free zones, the veterans break, or the boost to local aid.

When I reached out to the Baker campaign about these higher costs, his staff emphasized the economic benefits that the tax breaks would bring, and suggested that tax breaks might partly pay for themselves. The group that produced the \$200 million estimate of the “state inventory tax” makes this same argument — that repealing the tax would produce so many new jobs and so much new taxable economic activity that the impact on the state budget would be minimal.

Such results are not impossible, but cost estimates based on these kinds of feedback loops — called “dynamic scoring” — are highly speculative, which is why the federal government doesn’t use them when estimating the cost of new legislation.

Our detailed report on eliminating the inventory tax estimated 56,400 new middle-class jobs in 20 occupations.

Coakley’s early education plan — what would it do?

Despite phrases like “universal access” and “early ed to all children,” Coakley’s goal is really quite limited. Her proposal doesn’t provide early education for all kids; it aims simply to help those who are already on a state waiting list.

Coakley’s plan builds on an existing program that helps low-income families in Massachusetts pay for early education and child care. The trouble is that there has never been enough money to help all eligible families, and the waiting list has grown to include 16,000 young children.

By increasing the amount of money available for these subsidies, Coakley hopes to clear the waiting list and get all eligible children into early education and care programs.

What would it cost?

Coakley’s campaign has estimated the cost at \$150 million per year, and it seems reasonable. Currently, the maximum subsidy is about \$8,500. If all 16,000 kids on the waiting list got the full subsidy, that would cost \$135 million.

Some critics have suggested that the real cost would be 10 times higher, referring to a series of cost estimates from the Massachusetts Budget and Policy Center. But the \$1.5 billion figure they cite is actually the amount it would cost for the state to provide early education to all children through public schools — just as it already does for K-12.

The reason Coakley’s proposal doesn’t cost anywhere near that amount is that it isn’t really a plan for universal pre-K. While it certainly expands access to early education and care, it’s not the sort of sweeping expansion undertaken in states like Oklahoma and New Jersey.

What’s the takeaway?

In the end, it’s important to remember that these aren’t just policy proposals. They’re also campaign documents, meaning that they have a certain rhetorical function that isn’t necessarily matched by policy rigor.

Still, the proposals that come out during the campaign provide the best indication of the laws each candidate will propose in the governor’s office, so it’s worth thinking hard about their focus, their ambition, and their feasibility.

Evan Horowitz can be reached at evan.horowitz@globe.com.

The Globe considers eliminating the inventory tax a gift to business, but ignores the fact that the tax chases jobs and tax revenue out of state.

New Jobs for Massachusetts, Inc.