



Commentary

Think tank rethinks economic development

When Think New Mexico speaks, a lot of us pay attention because its common-sense proposals often become law. Past successes include full-day kindergarten for all children, removing the gross receipts tax on food, and, most recently, increasing qualifications for Public Service Commissioners.

Now the nonpartisan think tank has tackled jobs. How can we not pay attention?

The "Results-Oriented Think Tank Serving New Mexicans," as it calls itself, interviewed a wide variety of business people, bankers and economic developers to understand what works and what doesn't work.

"At Think New Mexico we care a lot more about whether an idea works than whether it is left or right," says executive director Fred Nathan in his report. After the nation's latest logjam, those are refreshing sentiments.

What isn't working, it says, is our hodgepodge of economic development incentives and our labyrinthine regulatory system. Economic development in New Mexico and other states has amounted to handing money directly to companies; the results aren't always what we want, according to the Ewing Marion Kauffman Foundation, which studies entrepreneurship.

I have to confess here that in the past I've supported these incentives, thinking poor old New Mexico needed all the help it could get to create jobs. Now the Kauffman Foundation and Think New Mexico want to steer us toward creating a more hospitable business climate and rethinking incentives.



Sherry Robinson
All She Wrote

The think tank has come up with three proposals:

- Increase the supply of entrepreneurs by bringing more foreign students to our state universities. The carrot would be scholarships for foreign students in business, science and technology programs.
- Create a one-stop business portal to reduce headaches for existing businesses.
- Shifting tax incentives to "post-performance" rewards.

The first proposal makes sense. The second has come up before but never becomes a reality.

Maybe Think New Mexico, given its track record, can make it happen. The third is worth discussing.

New Mexico has never had a

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coherent, long-term economic development strategy, says an executive quoted in the report. (In fact, it has, but any plan developed in one administration is ignored by succeeding administrations.) The Legislative Finance Committee said last year that the state doesn't know the costs or benefits of its incentives. In some cases, we don't even know what jobs were created.

The report lapses into political speak in saying the incentives "pick winners and losers," an expression that's become tiresome and meaningless. The implication is that the state has sprinkled dollars on some companies to create winners.

What actually happens is that economic developers may identify sectors or industries they want to attract, which is normal and healthy, and the Legislature creates tax credits. What also happens is that Acme Industries shows up on our doorstep, announces that it would like to relocate here, but our gross receipts tax would make the company uncompetitive. So the Legislature passes an exemption.

The elephant in the room, of course, is the gross receipts tax, and until we undertake real tax reform, everything else is window dressing.

Think New Mexico wants to introduce us to another kind of incentive, the post-performance incentive used by our smart neighbor, Utah. It works by giving existing and new businesses a rebate of up to 30 percent of new sales taxes, corporate income taxes and withholding taxes AFTER they increase new, better-paying jobs and expand operations.