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Editor's Note

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Cover Page Footnote

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Padraig O'Malley

With a great deal of pride, the *New England Journal of Public Policy* is pleased to announce a new partnership. Beginning with this issue, the journal becomes a joint publication of the John W. McCormack Institute of Public Affairs, University of Massachusetts Boston, and the Center for Policy Analysis, University of Massachusetts Dartmouth. Both bring to the joint venture special skills that complement each other; both are committed to holding the quality of the publication to the same rigorous standards that intellectual integrity demands, and both are committed to maintaining the degree of accessibility that has been a hallmark of the journal since its inception.

We believe that complex social issues, which are often beyond the grasp of informed readers when the incomprehensible and often stultifying jargon of particular disciplines is the means of expression, can be brought within their grasp when the language of expression is the language people understand. As we rattle our way down the information superhighway, we should be looking for a shared vocabulary and avoid the temptation to speak in a babble of tongues. We hope that theoretician and practitioner, public servant and elected official, will continue to find the journal, under its new stewardship, a beacon of insight and thoughtfulness that will enhance the quality of public debate and bring new voices into the auditorium of public policy.

The first five articles in this issue have their intellectual roots in an October 1992 Pioneer Valley Regional Conference held at the University of Massachusetts Amherst. Sponsored by the Executive Office of Economic Affairs and organized by the Donahue Institute, the conference brought together nearly two hundred business, civic, and economic development leaders to discuss an economic strategy for the state in the context of the Pioneer Valley — Hampshire and Franklin counties.

A number of papers were commissioned for the conference to jump-start the discussion and to provide a more finely honed frame of reference for the challenges and opportunities facing the Pioneer Valley. The authors of these articles have updated their data in the light of the changing circumstances of the region's economy in the past two years. What is, perhaps, most discombobulating is that so little has changed — almost all those conclusions and recommendations have been ignored by the state or addressed in ways that have ensured their failure to achieve their intended objectives.

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With the world economy making the boundaries of nation-states increasingly irrelevant, and nation-states themselves drawing ever more closely together by communication and trading connections, the driving force of economic change is no longer energy, but knowledge and information. The commonwealth of Massachusetts in general and the Pioneer Valley in particular are in strong positions to capitalize on an education-based competitive advantage. The Pioneer Valley alone houses a major research university and more than a dozen colleges and community colleges.

The University of Massachusetts Amherst is already playing a major role in the economy of the region. First, its payroll, institutional purchases of goods and services, and student spending add thousands of jobs and millions of dollars to the region's economy. Second, its world-class faculty and facilities attract national and international funding for research projects. In a sense, each faculty member, as Nancy Goff so felicitously put it, is a small business supporting graduate students with grants from the public and private sectors. Third, entrepreneurial faculty and students have been successful in spinning off business opportunities directly from their university work. Finally, faculty, staff, and students work directly with businesses and communities in the region, providing information and expertise for solving management, technical, industrial, and economic development problems.

The current state administration's program calls for the deployment of resources in a number of areas, such as providing capital for certain types of new or growing business ventures. Unfortunately, this has not proved to be so simple, illustrating once again the difference between intention and outcome, and politicians' consummate skill in confusing the two for their own partisan purposes.

For a start, the banking industry has undergone major restructuring in the past seven years. Throughout the 1980s, regional banks were subsumed in a rash of mergers and acquisitions. As a result, decision making became centralized in the banks' main offices in the larger cities, and the close relationships between businesses and their local banks dissolved. Adding to the tensions are bank failures over the past decade that resulted from poor lending practices. This has led regulators to be far more rigid in their assessments of bank-loan portfolios. These factors brought about a credit crisis for a number of small businesses whose "numbers" did not qualify them for the stringent loan standards of large regional banks, whose lending officers fear penalties from state and federal regulators if they stray away from conservative practices.

An example: high-technology firms in the Pioneer Valley are proliferating, some as spin-offs of the university's Computer Science Department. Successful companies are developing information retrieval systems, health care management systems, and robotic technologies. However, western Massachusetts high-technology firms have difficulty obtaining financing. One reason is the lack of venture capital firms in that part of the state. Neither the private nor the public venture capitalists in the Boston area operate as if they believe that there are opportunities in western Massachusetts.

Despite the lack of success in attracting venture capital, much of the economic-growth in the Pioneer Valley that has occurred in the past few years has been in the small-business sector. As the largest companies have had to downsize in response to economic conditions, small firms have more easily adapted to change. Moreover, most businesses in the Pioneer Valley meet the Small Business Administration's definition of "small" (fewer than 500 employees). Yet conference participants argued that there is a sense of frustration in the business community insofar as it seems that decision makers in government and finance, as well as the general public, do not recognize the contribu-

tions of small businesses and are therefore not responsive to their special needs.

In the light of these beliefs, the participants unanimously recommended that state and quasi-state agencies examine their policies from the point of view of small businesses and not focus exclusively on high technology, biotechnology, or other major industries that may be speculative. An example of damaging policy is the difficulty small businesses encounter in obtaining financing under \$250,000, a serious problem that has gone unnoticed by agencies which deal solely with larger firms.

On the brighter side, Massachusetts has an abundance of resources and programs to promote economic growth. The many quasi-public corporations that provide specialized technical and financial assistance are a tremendous resource to entrepreneurs and businesses interested in locating or expanding in the state. The system, however, needs fine-tuning. Although regional outreach is important, it is also critical to have regional representation in the decision-making process for approving financial assistance packages. Moreover, because the regions themselves are large, there must also be local access to information through community development corporations, town hall meetings, and chambers of commerce.

Compounding many of the problems the state faces is the fact that staff from many of the state's quasi-public agencies have seldom, if ever, ventured outside the Boston metropolitan area. This results, first, in fewer resources being spent in the Pioneer Valley, and second, in policies that are written to reflect the viewpoint and respond to the realities of urban or Boston-area economic development needs. There is resentment among those in business and economic development about a perceived lack of attention paid by the state to the needs of western Massachusetts.

To remain economically competitive, Massachusetts needs an educated workforce comprised of people who can read, write, compute, and think. The human capital of the state is its greatest asset. A community college is located within thirty minutes of every citizen. As local entities, the community colleges are uniquely positioned to adapt to changing workforce and business needs. These colleges are small, relatively affordable, and their course offerings and scheduling policies are more flexible than those of larger, more bureaucratic institutions.

However, the state's executive branch has not recognized the contributions that community colleges have made and could continue to make in the employment training and retraining arena. The authors repeatedly emphasize the importance of education to the point of asserting that education itself is economic development. They recommend improving the quality of education at all levels, granting more flexibility to the regional employment boards to design programs and standards of success to meet their local needs, maintaining adequate support systems for adult students.

The importance of maintaining and improving the state's infrastructure is raised over and over again, from repairing roads and bridges to maintaining the crumbling buildings of the state's colleges and universities. For instance, a Massachusetts Department of Public Works project to repair Route 116 in Plainfield, was made more difficult by inadequate bridges that could not support gravel-laden trucks. It is far less costly to add to an existing resource than to start a new one. In the long run, it is also more cost efficient to maintain existing resources than to replace them.

Contributors were also at pains to draw attention to how western Massachusetts's assets go unnoticed in the eastern part of the state. To cite but one example, there are four regional airports in the Pioneer Valley — Westover (Chicopee), Barnes (Westfield), LaFleur (Northampton), and Orange. Yet a commission that studied the problem of

overcrowding at Boston's Logan Airport concluded that a second major airport was a necessity in metropolitan Boston without even considering the potential for routing some kinds of transport, notably freight, to these or other of the state's existing smaller air facilities.

The sense that western Massachusetts communities and projects do not get their fair share of the tax dollars sent to "Boston" is pervasive. The phenomenon of "trickle west," in the view of all conference participants, provides insufficient funds for the infrastructure needs of that part of the state. One step in the right direction would be to set aside a seat for at least one resident of western Massachusetts on each commission that has a statewide mandate.

Finally, there is the question of the concept of a region. The definition of a region may go beyond the borders of a state. The Pioneer Valley's economic region extends from northern Connecticut to southern Vermont. Economic development efforts must take account of and respond to the reality of the economic region, even when it crosses state lines. Furthermore, when intraregional interests are at odds with one another, as is often the way in cases of controversial highway projects, the state should take an active role in mediating and staying with the process rather than walking away from the table when resolution is difficult. In these instances, leadership from the state, in the role of objective outsider, is essential.

Two articles conclude the issue. Both, by different means, propose mechanisms for dealing with budget shortfalls. In one, the authors illustrate the inadequacy of current cutback management strategies to address significant revenue shortfalls. They have designed what they call a political budget matrix that would help budget policymakers and staffs make educated assumptions about the way categories of programs could be treated during times of severe fiscal stress. The other presents a comparative analysis of the processes and strategies that public sector organizations use to implement retrenchment in the face of continued budget shortfalls. The authors focus on the governments of the fifty states and public institutions of higher education in the nine northeastern states. They conclude that the difference among these institutions in their approaches to retrenchment could be attributed to the differences in organizational culture.

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