



2017 State of Massachusetts Business Address

At noon today, Donald J. Trump will raise his right hand and take the oath of office as the 45th president of the United States.

The iconoclastic Mr. Trump has promised to shake Washington to its core. So the next four years will bring inevitable change to a thriving Massachusetts economy that sometimes seems worlds away from the middle-class disaffection that led to his election.

Indeed, Massachusetts wakes up this inauguration day well-positioned to withstand the winds of change.

Unemployment remains at a 17-year low of 2.8 percent; all of you, as employers, created more than 60,000 jobs last year; economic output grew 27 percent faster than the nation as a whole; and Bloomberg News again ranked Massachusetts as the most innovative state in the country.

Sure, we face a persistent shortage of skilled labor. Yes, we face a dearth of housing that those workers can afford. And yes, business costs remain unacceptably high. But overall, we're the kind of state for which Red Sox General Manager Dave Dombrowski would gleefully trade four minor leaguers in an effort to win the World Series this season.

So the question we face this morning is whether the tidal wave of change promised by the Trump Administration will help or harm employers here in Massachusetts.

No one really knows, of course, especially in a year in which conventional wisdom has been repeatedly turned on its head and almost nothing the experts predicted has come to pass.

I plan to be particularly cautious about predictions this morning since the panel of business leaders who will speak after me includes people who are global experts in matters of economic growth and job creation.

But join me for a moment to look at four policy initiatives that may be coming down the road from Washington to Massachusetts:

Number one, health-care reform. The Republican Congress and the new president appear ready to roll back major provisions of the Affordable Care Act and replace it with – well, no one seems to know yet.

As all of you know, Massachusetts created its own successful health care reform 11 years ago. It worked because everyone - from AIM to doctors and hospitals to insurance companies to consumers to elected officials from both parties – rolled up their sleeves and hammered out a plan that allowed 97 percent of Massachusetts residents to have health insurance, the highest figure in the nation.

AIM and Governor Charlie Baker maintained in separate letters last week to Congress that the restructuring of federal health reform must be done thoughtfully, in a manner that causes no harm to a state that has been committed to universal health insurance coverage since 2006.

But right now, the future is murky. One thing we know for sure is that repeal and replace raises the prospect that billions of federal dollars that made the Massachusetts experiment successful might be placed at risk.

Number two, infrastructure spending. President-Elect Trump wants to offer \$137 billion in federal tax credits to private investors to back transportation projects, a plan he says would unleash up to \$1 trillion worth of infrastructure investment over 10 years.

Senate Minority Leader Chuck Schumer has hinted that Democrats could join forces with the new president on an infrastructure initiative. Federal support would be a big plus for a Massachusetts transportation system where five million vehicles travel 150 million miles each day, and commuters take more than 1.3 million daily trips on an aging state public transit system. Mark this one as a plus.

Number three, trade. Candidate Trump campaigned on a strong anti-trade platform targeting China, Mexico, the North American Free Trade agreement and the proposed Trans-Pacific Trade Pact.

Mr. Trump, as president-elect, has softened some of his rhetoric, but Washington remains full of talk about 35 percent import tariffs and so-called border adjustments.

Trade is like oxygen to the Massachusetts economy. Bay State companies export more than \$25 billion worth of goods, and probably at least that much in services, each year. Approximately 9,700 small and medium-sized Massachusetts companies support 112,000 jobs with export sales. And seven percent of Massachusetts residents work for a foreign-owned employer.

As one expert noted, Trump is perhaps less anti-trade and more, quote, pro good trade deals, unquote. We certainly hope so because trade wars would cause broad collateral damage here in Massachusetts.

And, number four, lower taxes. Mr. Trump has proposed to reduce the corporate income tax rate from 35 percent to 15 percent while eliminating deductions and simplifying the tax code. It's fair to say that such a change would benefit economic growth in Massachusetts. At the same time, the proposed tax reduction poses obvious issues for a federal deficit that reached \$590 billion, or 3.2 percent of Gross Domestic Product, in the most recent fiscal year.

And these are just a few of the major proposals we may have to digest in this most unconventional year of 2017.

But the most perilous consequence of the Trump presidency may not come from the Trump administration at all. It may come from within Massachusetts itself as well-meaning progressives take a conservative federal government as their cue to make the commonwealth an example of big government, higher taxes, inefficient regulation and fiscal instability.

We've seen this dynamic at work before. Massachusetts has repeatedly gone its own way on issues such as mandatory paid sick leave, greenhouse gas emissions, minimum wage rates and taxes - often in a manner that has hamstrung the ability of employers here to compete.

Indeed, The Boston Globe has already fired the first warning shot from its editorial page. Quote: “We’ll take (Trump’s) moves as they come and look for opportunities where states and cities can step up and defy any federal efforts to roll back progress.” Unquote.

The most recent session of the Massachusetts Legislature also underscores the danger here at home.

AIM, working with the House of Representatives and the Baker Administration, was barely able to hold off scores of expensive social-engineering bills last year ranging from a ban on non-compete agreements to the creation of a state-run pension system for private-sector workers.

Advocates for these causes adopted newly aggressive tactics such as social media harassment and calls to boycott AIM-member companies in an effort to muzzle the legitimate voice of employers.

We expect such demagoguery to continue as progressives, who believe that “If Washington won’t, we will,” seek to set Massachusetts apart on issues such as the \$15 per hour minimum wage, paid family and medical leave, and a proposed 80 percent income-tax surcharge that would gut small business in the commonwealth.

So how does an established and successful employer association like AIM navigate this increasingly uncertain political environment, as well as the new breed of disenfranchised voters energized by President Trump?

How do employers who are otherwise busy creating jobs effectively convey their point of view as elected officials struggle to balance the needs of the economy with the overall needs of society?

Allow me to make two suggestions.

The first step is to articulate a positive agenda for economic growth. AIM has done that through our *Blueprint for the Next Century*, which we developed during our centennial in 2015 and now update on an annual basis.

The *Blueprint* makes four primary recommendations to create economic growth and opportunity for the people of Massachusetts:

- First, government and business must develop the best system in the world for educating and training workers with the skills to allow Massachusetts companies to succeed in the global economy.
- Second, Massachusetts must create a uniformly competitive economic structure, including an efficient transportation infrastructure, across all industries, geographic regions and populations.
- Third, we must establish a world-class state regulatory system that meets the highest standards for efficiency, predictability, transparency, and responsiveness.
- And finally, Massachusetts must find a way to moderate the substantial burden that health care and energy costs place on business growth.

AIM identified these issues based upon conversations with thousands of employers from every sector of the Massachusetts economy. They are complex challenges, not well suited to an Instagram world, but nevertheless issues that represent critical impediments to employers ranging from small manufacturers to global biotechnology companies.

The good news is that we have made modest progress on these issues. The not-so-good news is that we remain a long way from solving them. Be assured that AIM will continue to work during 2017 on solutions that will build a solid infrastructure for the growth of Massachusetts for many years to come.

The second step involves increased involvement by employers with the political system. AIM Chairman Dan Kenary calls this entrepreneurial populism - those of you who risk everything to employ your neighbors in Boston, Worcester, Springfield or the 348 other communities in Massachusetts must be willing to tell your stories to the representatives, senators and members of Congress in whose districts you operate.

The late House Speaker Tip O’Neill’s maxim that “all politics is local” has never been truer than it is today. And if all politics is local, the employer community represents a sleeping giant with enormous potential to drive sound public policy from the bottom up.

When an employer establishes a personal connection with its elected officials, those officials are able to understand the products the company makes, the processes it uses, the code it writes, the people it employs and the economic challenges it faces. Believe me, it really does affect their approach to business issues.

We have seen time and again the lasting impressions made when elected officials hear your compelling stories about jobs, innovation, grit, persistence, risk and the opportunity for people to create a life for themselves and their families.

One such compelling story belongs to VIBRAM USA, a 100-year-old manufacturing company in West Brookfield, that illustrates why innovation drives every sector of the economy. Led by President and CEO Mike Gionfriddo, a member of the AIM Board of Directors, VIBRAM and its more than 300 employees have for decades made the soles for every shoe worn by members of the US armed services. The company has, in the process, become a mainstay of the central Massachusetts economy.

Here, through the courtesy of our media partners at WCVB Channel 5, is their story...

(VIBRAM video)

Please join me in acknowledging Mike Gionfriddo and his team from VIBRAM USA.

One hundred miles to the east of VIBRAM, another company is prospering by exploring the still unknown boundaries between health care and information technology. IBM Watson Health – yes, that’s the *Jeopardy!* Watson – seeks nothing less than to redefine the relationship between technology and humanity in a manner that improves the quality of medical care for all of us.

IBM Watson Health could have located anywhere, but decided to establish its operations and hundreds of employees in Kendall Square, Cambridge, the epicenter of the global biosciences and software industries.

The idea behind IBM Watson Health is to use cognitive computer systems that understand, reason and learn to make sense of the estimated 80 percent of health data that is currently invisible to computer systems because it is unstructured.

Take a look...

(IBM Watson Health Video)

Please join me in recognizing the team from IBM Watson Health, including software engineer Alex Green who was featured in the video.

(Applause)

The success of diverse Massachusetts companies like VIBRAM and IBM Watson Health underscores the vital need on this Inauguration Day for a divided nation to bind its wounds and rededicate itself to the shared values that have formed our social, political and economic life for 240 years.

We as employers call upon elected officials and all involved in public policy to set aside polemics and engage instead in civil debate on behalf of the large number of Americans who clearly feel restive, uneasy and suspicious of institutions like government and business.

Let us resolve to talk with each other, not at each other. Let us resolve to speak in full sentences, not 140-character missives that reduce to two dimensions the complex issues with which we must wrestle.

Let us seek bipartisan consensus rather than intractable fiscal cliffs and government by inaction. Let us make hope and hard work our watchwords and not allow cynicism to leave undone the important work of business and government.

Let us conduct ourselves, as Lincoln said after our terrible war, “with malice toward none, with charity for all.”

I will conclude by assuring you that employers are ready to do their part.

In an age when the only certainty is uncertainty, the 4,000 members of Associated Industries of Massachusetts stand ready to work with all levels of government, from the Baker Administration to the Legislature to the Congress, to ensure that the thriving economy all of you have created is preserved for future generations and extended to every corner of the commonwealth of Massachusetts.

Thank you very much.