

TODAY IN BUSINESS

Industry Aid Holds Perils

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Michigan, before leaping into competition with Southern states on industrial aid bond issues to lure new industry, should tread warily and intelligently and consider long-term effects, a Michigan State University study recommends.

John L. O'Donnell, assistant director of MSC's Bureau of Business and Economic Research, investigated the \$173 million in industrial aid bonds sold by communities of nine Southern states in the last 10 years.

He found some attractive advantages for the bonds in industrial development at first sight, but also found accompanying dangers and disadvantages.

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HE FOUND that there could be a repetition of calamities suffered in the early 1900s when public credit was used for support of private railroads and canals and later of real estate developments.

In both cases, booms in the bonds ended in financial collapses which seriously damaged the credit standings of communities which had issued the bonds and piled up debt burdens.



Thompson

O'Donnell said most current bonds are of the general obligation type and could become direct burdens on local taxpayers if defaults because of plant-lease lapses should occur.

"Moreover, it is not at all certain that on balance many of the devices used to attract new industries actually result in net benefits to the communities employing them," he said.

"Industrial development is an extremely complex problem that ought to be tackled with great care," he cautioned.