

Can Blanchard plan pique economy?

By Tim Richard
staff writer

A confident Gov. James Blanchard expects that his newest economic proposal — the Michigan Strategic Fund — will sail through the legislature this fall. Top Democratic legislators agree.

But will the plan, announced Tuesday, succeed in stimulating investment in infant industries? Will it "leverage" new venture capital and help diversify the moribund economy?

"If we have the support of the lending institutions," is the question of state Sen. Philip O. Mastin, D-Waterford, who is sponsoring two of the eight bills in Blanchard's \$54 million package.

"Gene Kutby (state banking commissioner from West Bloomfield) is working with Michigan lenders right now. The concept is not controversial, but the implementation may be," said Mastin, whose district includes Rochester.

THE KEY to whether Blanchard's capital stimulation plan works, according to two representatives from western Wayne County, is whether the governor himself will abandon capping of interest rates.

State Rep. Gerald Law, R-Plymouth, explained that "Michigan, like Arkansas and a few other states, has usury laws. We're always dealing with them."

Law, in a State Capitol corridor interview, said the powerful United Auto Workers wants to require capital generated in the state to be invested here but still limit interest rates. "The UAW is stuck in that position. The leadership on the interest issue has to come from the governor's office," said Law, a first-term lawmaker.

A former banker, Rep. William Keith, D-Garden City, is sponsor of several bills whose effect would be to allow interest rates to remain at 18.5 percent rather than revert to 12 percent or less.

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"We are a capital-short state," said Keith, in an interview on the House floor. "Michigan doesn't have enough savings money to make mortgage loans, so we must go to the national market. When interest rates (nationally) go higher than our caps (usury laws), we're freezing our capital."

Keith said Blanchard has asked him to hold off on his bills "until his program is finalized."

IN A NEWS conference Tuesday, Blanchard unveiled his Michigan Strategic Fund — "a partnership between government and the private sector designed to increase the availability of financing for all types of business in our state."

But the Democratic governor, elected last year with strong labor help, declined to say whether he would support lifting caps on interest rates. "I'm not prepared to answer that. I'd lose whatever bargaining power Mr. Kutby has," he said.

"We are negotiating right now with banking, consumer groups, labor. The discussions have gone very well. Heretofore, consumer groups and labor have been locked, frozen" against easing interest rate caps.

A few feet away was Senate Majority Leader William Faust, D-Westland. Asked if he could win passage in the fall session, Faust nodded yes.

Blanchard described the fund as a long-term solution to diversifying the economy and creating jobs in contrast to his short-range summer jobs programs for youth and construction workers.

BLANCHARD is asking \$54 million for the Michigan Strategic Fund — \$45 million from existing Michigan Economic Development Authority and \$9 million voted in the Commerce Department budget for the fiscal year beginning Oct. 1.

It would be governed by a nine-member board appointed by the governor but dominated by non-governmental people, though it would include Commerce Director Ralph Gerson and state Treasurer Robert Bowman.

Blanchard said the fund would have authority to select "priority" industries (unnamed, so far) and make grants, loans, investments, loan guarantees — even guide investments made by the state pension fund and accident fund.

The effect, said Gerson, will be that "we have the

largest venture capital fund in the world, and this will add to it."

THE FUND would consolidate several other functions and operate through six "centers." Examples:

1. Center for Assistance to Private Enterprise — to make loans, with private participation, to private enterprise. "The center might be able to leverage federal guarantees for Small Business Administration loans at a 9-1 ratio," according to a background statement.

2. Center for Product Development — to provide financing to applicants with new inventions. "The fund would negotiate royalty agreements for each project."

3. Center for Loan Insurance (sponsored by Mastin) — to enable banks and other lenders to help finance small and medium-sized businesses through a pooling mechanism. Loan guarantees would be a major tool.

4. Center for Assistance to Local Government (sponsored by Mastin) — to make loans to local units to stimulate investment in public works.

5. Center for Minority Venture Capital — to finance single business tax credits for Michigan firms investing in state-licensed venture capital companies. These companies would have to invest half their assets in minority-owned businesses.

6. Center for Research and Development — to finance non-profit research institutions linked with emerging technologies.

Regional 'convert' to head SEMCOG

A one-time foe of regional planning is the new chairman of the Southeast Michigan Council of Governments.

"I'm a convert. I've learned regionalism is not super-government," said Donald Shelton, mayor of Saline. He was elected unanimously to head the seven-county regional planning agency at last week's annual meeting in Dearborn.

Shelton succeeds Daniel T. Murphy, Oakland County executive, who served the traditional two one-year terms. Shelton will preside over both quarterly meetings of the General Assembly, which includes all member governments, and monthly executive committee meetings.

"I'M TOTALLY converted," said Shelton, the first former "anti" to head the voluntary organization which has been headed by such regionalists as Detroiters Mel Ravitz and Conrad Mallett, Homer Case of Bloomfield Township, Wayne County's Robert FitzPatrick and James Grannan of Fraser.

"It's 130 communities and officials

working together for what is good for all."

Shelton (not to be confused with Don Shelton, SEMCOG's information officer) saw two priorities for his term:

• Resurrecting a depressed area where 350,000 are unemployed. "I'm personally involved in recruiting good, clean business for the region," he said.

• SEMCOG has been oriented toward the federal government for funding because regional planning agencies grew out of the 1964 federal highway act requiring such planning in areas served by freeways. But federal sources are drying up. "The state will be responsible to fill that void," Shelton said, "and we need to involve the state in SEMCOG."

The only real contest involved Field, a longtime SEMCOG activist, whose name had been dropped by the nominating committee in favor of William Suore, chairman of the Wayne County commission.

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