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Mackinac Center: Does Governor's Cup Hold Water?

The Mackinac Center for Public Policy is questioning whether the coveted economic development prize "The Governor's Cup" is really all that.

Just last week, Michigan was recognized as coming in second in the most recent competition for the Governor's Cup. The Governor's Cup recognizes states that have the highest number of new or expanded facilities in Site Selection's database.

According to a column by Michael LaFAIVE, while Site Selection magazine's selection process does include some independent research, such as searching for new facilities and expansions using newspaper clippings and online research tools, Site Selection Editor Mark AREND admits that the rankings are still a "function of what states report to us."

LaFaive contends that states with larger staff dedicated to economic development are most likely more thorough in collecting data. According to a 2002 Detroit News article, Michigan Economic Development Corporation agents are constantly on the lookout for new factory or office construction.

LaFaive also points out that MEDC bo-

nuses on some occasions have been based on Site Selection rankings. Such rankings, contends LaFaive, are worth examining.

"It's also worth remembering that Site Selection rankings provide only a limited picture of a state's economy," writes LaFaive. "For instance, the new or expanded locations on which Site Selection focuses do not represent a net count. Companies that have left the state or are moving large parts of their operation, as Kmart seems prepared to do, are omitted from the totals."

LaFaive also points to studies such as one done by United Van Lines that indicate Michigan is a net "outbound" state. In 2004, the study contends Michigan reached its highest outbound level since 1982 when 60.9 percent of all United Van Lines transactions were "outbound" moves.

"It's probably not time to break out the bubbly on Michigan's economic performance. After lagging well behind the surging national economy for several years, the state may well begin to recover in coming months — but Site Selection magazine probably doesn't tell us much either way," wrote LaFaive.