

Noted economist testifies

Make incentives available to all

Mackinac Center for Public Policy Senior Economist David L. Littmann was asked by the office of state Sen. Nancy Cassis to deliver testimony to the Legislature's Joint Committee on Economic Growth regarding the efficacy of the Michigan Economic Development Corp. Unable to be in Lansing for the hearing, Littmann submitted a written statement that was read into the record by Sen. Cassis on Aug. 25, 2006.



David L.
Littmann

“Essentially, my message is that Michigan would not feel obliged to support another bureaucratic effort if Lansing’s policies were directed toward improving overall economic incentive by lowering general tax and regulatory burdens,” Littmann said about his testimony. “Instead, Lansing is now intricately engaged in MEDC-style politics that favor a few at the expense of the many. This is both a dubious ethical proposition and a loser for long-term Michigan competitiveness.

“When outside investors and potential employers see that Michigan is using bureaucratic forces rather than natural market inducements to attract capital and labor, it simply underscores the degree to which our business climate is subpar.”

Following is a slightly edited version of Littmann’s testimony:

“State subsidized grants, tax abatements or other economic incentives targeted at single entities (firms, industries or individuals), but paid for via general taxation, are ethically and economically perverse. In contrast, policies that improve overall economic and financial incentives for growth, thereby enhancing the general business climate of Michigan, are laudable.

“If state-sponsored tax, loan or regulatory breaks help one firm, that policy should apply automatically to all who live and compete in Michigan. Otherwise, we are viewed as a state that redistributes tax collections from many to help the

politically chosen few.

“Such practices encourage political entrepreneurship, rather than business entrepreneurship. They encourage redistribution, not growth.

“Despite up-front promises of spurring “job creation” and “high-tech corridors,” Lansing masterminds and media advocates of these subsidized creations systematically ignore how exceptional our employment, population, per capita income, wealth, housing values and venture capital growth would be today had we legislated these incentives into general law, rather than created another costly, high-profile bureaucracy.

“Do Lansing’s politicians, bureaucrats or advisers know better than the marketplace what firms or industries will thrive tomorrow, next year or next decade? If you believe this, you will continue funding such activities. However, states and nations engaged in statism are always out-performed by economies whose enlightened policymakers provided a market-driven, competitive business climate.

“You ask, ‘How can Michigan afford to improve generalized incentives?’ I recommend you adopt many of the \$2 billion savings offered by dozens of highly researched and peer-reviewed studies offered by Michigan’s own Mackinac Center for Public Policy. Let’s not forsake yet another Michigan generation.”

David L. Littmann, a retired senior vice president and chief economist of Comerica Bank, is senior economist at the Mackinac Center for Public Policy.