

THE WALL STREET JOURNAL

Michigan's Messy DeVos

By SHIKHA DALMIA

DETROIT – Besides the Tigers, the main thing on the minds of Michigan residents is the state's tanking economy. So when the state's most prominent Republican businessman entered the gubernatorial fray promising to turn things around, it should have been a home run. Instead, 10 days before the election, Dick DeVos has lost his 15-point summer lead over Jennifer Granholm, the Democratic incumbent, and is now trailing by more than eight points in most polls. The fault is not in his stars but in himself: At a time when Michigan needs economic leadership, he has so far shown little charisma, creativity – or courage of convictions.

That Michigan has become the Mississippi of the Midwest is no secret (actually, Mississippi is doing better than Michigan right now). While the rest of the country is experiencing real overall growth of 3.2%, Michigan is in a single-state recession. Its unemployment rate, at 7.1%, is twice the national average; it was the only state last year not hit by a hurricane to lose jobs. Personal per capita income is 7% below the national average. Home foreclosure rates have doubled this year. And over the last four years, 200,000 economic refugees have left the state, a trend that will only accelerate as the ongoing downsizing of the Big Three forces other auto-related industries to lay off workers.

Ms. Granholm's chief strategy for dealing with Michigan's grim economic situation, comically enough, is to blame Mr. DeVos, even though the last – and only – time he held elected office was as a member of the State Board

of Education a decade ago. She has lambasted Amway, his company, which does business in 90 countries, for opening offices in China and "outsourcing" Michigan jobs. She has accused him of personally "allowing" the sexual abuse of mentally ill elder citizens because he had a 1% stake in a publicly traded nursing home chain where some incidents were recently discovered. And just when one thought this Hollywood-starlet-turned-Harvard-lawyer couldn't get any nastier, she did another hit job in their last debate, accusing him of tax evasion for incorporating some of Amway's overseas subsidiaries in Bermuda. "I have never seen a sitting governor run so many negative attacks against an opponent," notes Bill Ballenger, publisher of the respected non-partisan political newsletter *Inside Michigan Politics*. "She has few accomplishments to list so she knows that if she allows this election to become a referendum on her, she'll lose."

Although Mr. DeVos, who has spent \$30 million of his own money on the campaign, has recovered from his initial shell-shock and become better at deflecting such attacks, he has done little to challenge her on economic fundamentals – her big vulnerability given that two-thirds of Michigan voters believe that the state has been going in the wrong economic direction under her. No one expects a candidate in a union state to win as a free trader. But Mr. DeVos has granted Ms. Granholm's protectionist premises. He has countered her attacks against his company's overseas operations by accusing her of not doing enough to convince Honda officials to locate in Michigan – as if it were a governor's job to negotiate business deals. Worse, instead of staying

focused on creating an attractive business climate by cutting taxes and government, his plan to make Michigan globally competitive involves opening offices in 10 countries to promote trade and tourism.

The fundamental reason why not a single non-U.S. auto maker has ever opened a major plant in Michigan – notes David L. Littmann, a senior economist at the Mackinac Center for Public Policy – is not a lack of these offices, but that it costs too much to generate wealth in this state. Thanks to the strong union presence, Michigan's labor costs relative to productivity are the second-highest in the nation. Normally, an economy might adapt to such realities by "diversifying" – to use a buzz word that both candidates bandy – into non-unionized service industries. But Michigan's onerous combination of redistributive regulations and high taxes has prevented even this from happening, making it more vulnerable to the imploding auto industry.

It is not surprising that a big-government careerist like Ms. Granholm has few ideas for addressing these issues beyond an old industrial policy of accelerating infrastructure-rebuilding – "Every orange cone means a job," she beams into the TV camera! – and issuing bonds to invest in government-picked start-ups. But for someone whose main campaign theme is that as a businessman he understands the challenges facing Michigan's businesses, Mr. DeVos's proposals, so far, are disappointing, to say the least.

He recently endorsed a law raising the minimum wage, disregarding that it will contribute to growing unemployment while making it harder for small businesses to

remain profitable. He does insist – correctly – that lowering Michigan’s tax burden, which is much above the national average on a per capita basis, ought to be priority No. 1. But apart from calling for the repeal of an already repealed Single Business Tax that assessed businesses on their payrolls as opposed to profits, his only other suggestion so far is scrapping the Personal Property Tax. This tax discourages businesses from making capital investments by taxing new machines, equipment and furniture. But the problem is that it is one item in a laundry list of petty programs – not embedded in any consistent policy vision.

While Mr. DeVos’s failure to enunciate such a vision is likely calculated to position him as a moderate, in reality it is only making him less believable to independent voters. Meanwhile, his conservative base is dispirited because he has diluted his commitment to school choice and is opposing a ballot proposal banning the government from using racial preferences. “He has to stop playing safe and

take bolder positions,” warns Tim Shields, a GOP political consultant. “Otherwise, his base might well decide that it does not make a difference who gets elected and stay home.”

But articulating a vision is not just about attracting voters, it is also about obtaining a mandate to govern successfully. A vision will give him the clout and clarity, should he squeeze out a late-inning comeback, to resist the inevitable calls by Democrats to replace the business tax cuts with new taxes, and to insist, instead, on spending restraint to unshackle Michigan’s economy.

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