



Michigan's Gift to Texas? People

By Michael D. LaFaive

Summary

Calls for higher taxes in Michigan — on top of the state's fettered economy — will send more Michigan residents packing. Many of them, statistics show, will end up in Texas.

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Since 2000, Michigan lost 540,750 residents to interstate migration (though the state's overall population rose slightly due to other factors). In contrast, Texas added 848,702 residents through interstate migration. The meaning of these numbers cannot be overemphasized: There is perhaps no better single measurement of an area's quality of life than migration.

The Lone Star State has become one of America's premier "destination" states, while Michigan has become the country's classic "departure" state. If Michigan once again raises its taxes, as Gov. Jennifer Granholm proposes, it will only continue to feed Texas' success.

A key factor driving these migration patterns is economic liberty, as several studies have found in recent years. The Pacific Research Institute in California created an index that contains 143 different variables designed to measure economic freedom. The institute's most recent report (2008) ranks Michigan the 43rd economically freest state and Texas the 31st. The study's authors conducted a statistical analysis of state-to-state migration and showed that this migration is correlated with their index of economic freedom.

The American Legislative Exchange Council in Washington, D.C., has published a "Competitiveness Index" for each state based on 15 policy variables, such as income and corporate taxes, tax progressivity, and right-to-work protections. Based on these metrics, the authors created economic outlook and economic performance rankings. In the 2009 version, Michigan's outlook ranked 34th, and Texas' ranked 10th. Texas' economic performance took the No. 1 position, and Michigan's came in dead last. This, too, supports the link between economic freedom and migration.

People move to Texas from all over. When we shift the focus to specific pairs of states, Florida remains the top migration choice for outbound Michigan residents. According to Internal Revenue Service data, a net total of approximately 68,000 Michiganders moved to the Sunshine State between 2000 and the end of 2008. Texas ranks second for outbound Wolverines. From 2007 to 2008, 12,748 of our fellow residents moved there, while 5,272 Texans came to Michigan, for a net outflow to the Lone Star State of 7,746.

The IRS data can actually be broken down by county. The gross outflow from Michigan's three biggest counties to Texas appears to



have increased dramatically. For example, the number of people moving from Macomb County to Texas increased from approximately 200 between 2003 and 2004 to 748 between 2007 and 2008, a 274 percent difference. Their most frequent destination was the Dallas/Fort Worth area. For people from Oakland and Wayne Counties, the Texas county of Harris, which includes Houston, was the most popular.

Does other research back up the theory that economic opportunity is why so many people vote with their feet? Over the past decade, migration economists have narrowed their research to a number of key determinants, among them taxes, welfare, weather, unemployment rates and labor markets, including wages.

Several scholarly studies have shown empirical links between these variables and American migration patterns. The Mackinac Center's own migration study — authored by adjunct scholar Michael Hicks — found that nationwide, people are moving to states with lower taxes, more flexible labor climates and more days of sunshine.

Specifically, Hicks discovered that for every 10 percent increase in personal taxes, Michigan loses 4,900 people every year thereafter. So, the 11.5 percent personal income tax increase the Legislature imposed in 2007 has already driven more than 10,000 people out of Michigan.

By contrast, Texas has no income tax. This would be a distinct advantage even if its overall tax burden was higher than Michigan's, but in fact it is lower. The Tax Foundation, based in Washington, D.C., reports that in 2008, Texas' state and local tax burden ranked 43rd in the nation — one of the very lowest — while Michigan's was 27th.

Of course, taxes are just one variable. Michigan's hostile labor climate and regulatory regime are also adding to a lack of opportunity that's chasing people away. Still, this is the backdrop against which Michigan now faces a new round of demands for tax increases, including Gov. Granholm's call for a \$900 million hike over three years. Such an increase could be good news for Texas, but bad news for Michigan.

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