

# THE WALL STREET JOURNAL

## Granholt's Perfect Bad Example

Some politicians give us failure. Some politicians give us failure mixed with spectacle. Once in a generation, a politician gives us failure and misunderstanding so colossal that his or her bad example rises to the level of public service.



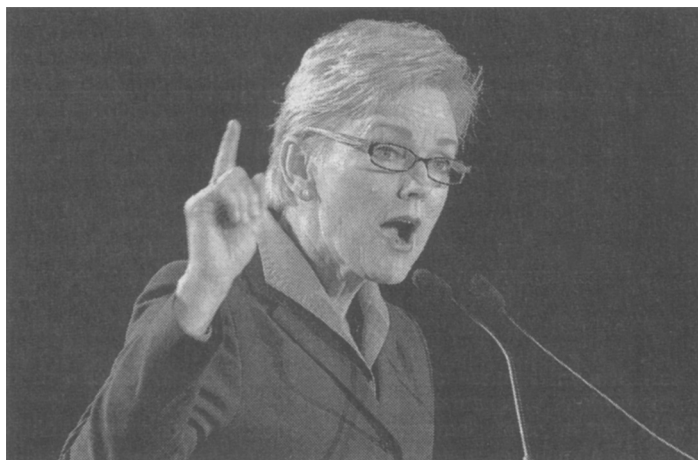
**MAIN STREET**  
By William McGurn

To this elite few belongs Jennifer Granholt. In the Michigan she governed for eight long years, the roll call of despair is not in dispute. On her watch, the state's ranking in per capita GDP plummeted to 41st place from 24th, Detroit's population shriveled to its lowest level since 1910, and Michigan earned the dubious distinction of being the only state to suffer a net out-migration this past decade.

These refugees now include Ms. Granholt herself. Apparently her "Cool Cities" initiative—one of her many efforts that was supposed to halt Michigan's brain drain—wasn't cool enough. She and her husband have moved to Berkeley, where they are both teaching.

With this kind of record, most politicians might take refuge in prudence. Not Ms. Granholt. Today she is running around the nation selling a book and a message. The book is called "A Governor's Story: The Fight for Jobs and America's Economic Future." Her message—that Granholt's Michigan shows the way forward—has been taken seriously in all the places you might expect: the New York Times and Comedy Central's "The Daily Show."

At the top of Ms. Granholt's claims is that she knows that low taxes and lean government



Former Michigan Gov. Jennifer Granholt

are no prescription for growth because she tried supply-side and found it wanting. To prove her point, her appendix lists 99 business and 17 individual "tax cuts" she approved. She notes likewise that both state spending and the number of state employees dropped during her time.

In fact, almost all Ms. Granholt's "tax cuts" are tax credits or other forms of tax preferences. A less delicate way of saying this is that far from reducing rates for everyone, Ms. Granholt played favorites. That meant a more complicated tax code where trendy businesses (green jobs, anyone?) that would fail without subsidies are effectively underwritten by non-favored businesses and other taxpayers.

A better indication of Ms. Granholt's tax record would thus include the \$1.4 billion tax increase in business and personal taxes in 2007, not to mention the tax hike she tried to inflict on her way out. Much the same might be said of her claims to fiscal discipline. Far from an effort to re-engineer government

as Mitch Daniels did in neighboring Indiana, Ms. Granholt's cuts were forced by the collapse in revenues resulting from the state's failing economy.

In fairness, the thing Ms. Granholt is most blamed for is likely the one most out of her control: the loss of an astounding 630,000 Michigan jobs over her tenure. She is certainly right that most of these losses were the result of larger economic trends and events. More contestable is her assertion that her industrial policy—throwing state and federal dollars at pet progressive industries such as advanced battery technology—is the answer.

Michael LaFaive of Michigan's free-market Mackinac Center puts it this way: "What Ms. Granholt's state investments were best at producing were press releases claiming thousands upon thousands of jobs—in the future." Thus her most infamous prediction, when in 2006 she assured the people of Michigan this: "In five years, you're going to be blown away by the strength and diversity of Michi-

gan's transformed economy."

Michiganders are still waiting. In the teeth of competition that is keener than ever, of changes in technology that are coming faster than ever, and with a diffusion of knowledge and expertise that is vaster than ever, Ms. Granholt's conclusion is this: Politicians and their bureaucrats will channel capital better than a market representing tens of millions of individual investor decisions.

This logic can lead to embarrassment. A year and a half before Americans learned about Solyndra, Gov. Granholt stood next to Flint businessman Richard Short at a press conference and declared that the \$9.1 million in state tax credits that her government had awarded his renewable energy company would mean 765 jobs. The next day, Mr. Short was arrested.

Turns out Ms. Granholt's people had not known that their champion of green jobs was a convicted felon out on parole. Two months ago he was sentenced to prison after pleading no contest to making fraudulent statements on his application for the energy credits.

In the end, Ms. Granholt's argument is simply a form of the same economic narcissism that animates people who never lose the charming faith that they know best how to spend other people's money. In some ways, she intimates, her leadership was the precursor to hope and change. "It's remarkable how in sync we are," she quotes her communications director saying of the governor and Barack Obama.

Yes, indeed. If you liked Gov. Granholt's Michigan, you'll love President Obama's America.

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