

COVER STORY

What Needs To Be Done To Win the Race for Jobs in Michigan?

by Karin Lannon

Jobs. From the government to the auto industry to the family next door, they're on everyone's minds in Michigan. What does our state need to do to compete for these precious resources in today's — and tomorrow's — economy? We asked four prominent minds in Michigan to share their ideas.

**David Littmann,
Senior Economist,
Mackinac Center for
Public Policy, Midland**

What three things would you do to improve Michigan's economic competitiveness and bring jobs to Michigan? Please be specific.

First of all, I'd phase out the corporate and personal income tax. That's essential. Otherwise, we can't stand out as a place

where capital can have a great return, like Texas, Florida, Nevada, and other states that have been eating our lunch. The last time we didn't have taxes was 1967, and we were a premier economic state with higher per capita income than the rest of the nation and we had an easier time retaining jobs.

Secondly, Michigan should be a Right-to-Work state where you don't have to belong to a union or pay union dues in order to hold a job. Without that, we cannot compete with other states. Because of that, we've been losing jobs, especially in the automotive industry.

The third point goes hand-in-hand with the first, which is to help the private sector freeze all state and local spending for seven years — not inflation-adjusted. We're currently in a crisis phase, and our credit limits are going down at all levels. We need to force the public sector to live within the means of the private sector tax base.

What are Michigan's strengths and weaknesses in terms of its economic competitiveness?

When it comes to strengths, first and foremost, our real magnet for attracting people is our fresh water properties. They always sell at a premium if other things in the market are correct.



Secondly, on the whole, the entire Great Lakes region has a higher per capita income than other areas. While Michigan has lost its standing and is now in its ninth year of below-average income, even now, the rest of the region is better than average.

Thirdly, we have a potential here because of our bargain-basement housing prices and land evaluations. If policies change as I've suggested above, we will see the best appreciation of land values and capital inflow of anywhere in the country.

Among our weaknesses are the continued outflow of population and youth — a drain of thousands of the most highly-educated human capital. It's an export to other states, and we can't afford to do that. With them go income, financial strength, and community involvement.

Another weakness is the government growing faster than the private sector, which is contracting. You can't have a government expanding faster than the tax base without debilitating the entire economy, and that's what we've been doing most of the decade.

If you could change one thing about Michigan's business climate, what would it be?

At this point, I'd say the unions are making the policies for the special interest groups rather than the general

interests of the state. We also know from surveys that half of the potential firms considering expansion in Michigan have taken our state off their lists. Labor and capital won't look at Michigan. We're viewed as a very restrictive state for labor supply, with policies geared against businesses. Labor systems in this state are simply lost in a time warp of the 1950s. They haven't recognized the reality of unit labor costs and competing with Right-to-Work states.

Any other thoughts or words of wisdom?

The worst thing you can do is to eternalize an industry that's a guaranteed failure. Only by leaving the automotive firms to their own devices for correcting these out-of-control contracts can you really expect there to be a grasp of reality.



THE AUTHOR: KARIN LANNON is a Grand Rapids-based freelance writer.