



The State of the State You Should Have Heard

By Michael D. LaFaive

The following is a State of the State Address that you should have heard, but didn't.

Summary

Fiscal Policy Director Michael LaFaive would have delivered this speech as his State of the State address if he were governor — speaking directly to the people about what voters can do to correct the problems created by a Legislature that serves itself rather than taxpayers.

Main Text Word Count: 687

As governor, I've decided to take a different approach and speak directly to the people, rather than Michigan's state representatives and senators.

I'm doing so because in recent years our Legislature hasn't served the people of this state very well. Many observers believe that the policy directions state officials pursued are hollowing out the private sector to temporarily prop up a bloated, inflexible, unresponsive and unsustainable government establishment.

Michigan's economic plight makes trying new policy approaches a necessity. Our state economy has been reeling for years. In 1999, Michigan's per-capita Gross Domestic Product was the 16th highest in the country — we were a relatively wealthy state. Since then, we've plummeted to 41st place. Between 2002 and 2007, Michigan was the only state in the union with a negative GDP growth rate.

Corresponding with this overall output decline, the incomes of Michigan families are also falling in relative terms. From 2002 to 2007, average annual per capita personal income grew just 2.6 percent, last among the 50 states. By contrast, the national figure was 4.6 percent growth for that period.

Another grim reality: Michigan residents continue to flee for opportunities elsewhere. The U.S. Census Bureau indicated in December that Michigan was one of only two states in the nation to lose population in net terms — 46,000 — during its last year-long accounting.

There are many reasons people migrate, but economic opportunity is probably the single biggest factor. Things like the weather matter too, but since we can't change that, we'd better overcome it with public policies that make this state attractive to entrepreneurs, investors and job providers. Our Legislature has been moving in the opposite direction.

Last year they took the following action:

- Decreased competition in the electricity and natural gas markets by effectively re-granting monopoly privileges to the big incumbent utility companies;

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- Imposed expensive renewable energy mandates on utilities and authorized them to tack extra charges on customer bills to pay for it;
- Passed new, complex groundwater withdrawal regulations on industrial and commercial users diminishing one of few comparative advantages Michigan can actually claim; and
- Offered up massive cash subsidies to “sexy” industries, including Hollywood movie moguls, electric car battery assemblers and the makers of semiconductors.

One could conclude that true representative government has been replaced in this state by a self-perpetuating political class. In effect, we’ve seen the creation of a new type of class division: People vs. the political class.

For many in the political class, the primary goal is getting and keeping government positions with all the material, social and psychological rewards. To do so they are all too willing to cater to the interests of the permanent government class — the welfare/regulatory state bureaucracy — and to legions of privilege-seeking special interests.

Some observers fear that the government has escaped the control of the people. This is why I am taking this opportunity to strongly recommend ballot initiatives that would return to the people some of the excessive power and resources assumed by state government. These include:

- A Taxpayer Bill of Rights that constitutionally restricts state spending increases to the rate of inflation plus population changes. This would force state government to establish spending priorities.
- Require either a supermajority vote in the Legislature and/or voter approval for any tax increase. Such a requirement probably would have spiked the 2007 passage of a \$1.4 billion tax increase.
- Repeal the Michigan Business Tax and replace it with spending cuts only. The same initiative could create a temporary “base closure commission” style board to offset the revenue declines with spending cuts and reforms.

These would be a wonderful start to getting our state back on track. For those who want to find out about more positive change ideas, Mackinac Center scholars have assembled a document called “101 Recommendations to Revitalize Michigan,” which can be found at www.mackinac.org/10154.

There’s a lot of work to be done. But once growth- and freedom-friendly policies are in place, recovery is likely to occur much more quickly than most people imagine.

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Michael D. LaFaive is director of fiscal policy for the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich.

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Please contact:

MICHAEL D. JAHR
 Director of Communications
 140 West Main Street
 P.O. Box 568
 Midland, Mich. 48640

Phone: 989-631-0900
 Fax: 989-631-0964
Jahr@mackinac.org
www.mackinac.org