



Gretchen Whitmer at a 2019 event | Michigan National Guard photo by Spc. Samantha Hall

Whitmer hypes biz subsidies as state economy stagnates

People get job announcements instead of actual jobs

By James M. Hohman | August 2023

Gov. Whitmer boasted last month about handing out \$19 million in subsidies plus other favors to companies that pledged to create 1,900 jobs. There is a big difference between job announcements and job growth. One is about appearances. The other is about performance.

Michigan's economy continues to lag the job recovery from pandemic losses. Most states have now fully recovered all of the jobs they lost during the pandemic, and 2.2 million more people are employed now than in February 2020, a 1.4% increase. Not so in Michigan, where there are 11,000 fewer people employed, a 0.2% decrease. That's the 12th weakest recovery among the states.

Surely the job announcements, the addition of billions of new dollars in business subsidies, helped the state do better than it would have done without that spending, right? Wrong. Selective subsidies are an ineffective way to create jobs.

Economists use careful methods to assess the attempts by state lawmakers to spend their way to prosperity. Sometimes they find positive effects but most of the time they find negative effects, they never find large effects.

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In other words, economic growth doesn't involve handing out big checks to big companies. Politicians, news media, and subsidized companies all use great showmanship to convince the public that their

dealmaking matters to economic growth, but it symbolizes no larger trend. The trends matter, and politicians job announcements don't.

If anything, the number of press releases the governor issues about jobs is going to be a contrary indicator about the state's trends because news about jobs is more important when a state economy is in bad shape.

Elected officials fail to drive growth through subsidizing select firms in part because no office or factory operates at the scope necessary to make a dent in the state's job situation. Without asking for permission, entrepreneurs and business managers create and lose over 800,000 jobs every year. The latest numbers cover the last three months of 2022 and show that Michigan added 222,000 jobs and lost 196,000 jobs, with job creation up a little bit from the previous quarter and job losses down.

The 1,900 jobs announced by Whitmer — and companies tend to be bad at living up to announcements — would replace fewer than one percent of the jobs lost in the normal turnover of the state economy. People would be in trouble if they had to rely on the deals Lansing politicians make to find employment. Instead, most job growth comes without involvement from elected officials.

People should know this intuitively. Outside of the Big Three automakers, which get huge deals that cover nearly all of their jobs in the state, few people work in factories or offices that get state subsidies. Few people have an elected official to thank for their job.

While business subsidies don't show up in the economic data, they definitely show up in the state's budget numbers. Michigan could rebuild more roads, could lower taxes or give more to schools or local governments, had it not devoted so much to selective business subsidies. Spending on any of these would generate economic effects in addition to being a more appropriate use of taxpayer money.

People should be more skeptical when lawmakers tell them that they've landed a big company by offering taxpayer money and other favors. It's not how states get ahead, and there are better uses for the money.

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James M. Hohman is the director of fiscal policy at the Mackinac Center for Public Policy.