

***Michigan's Economy:
Past, Present, and Future***

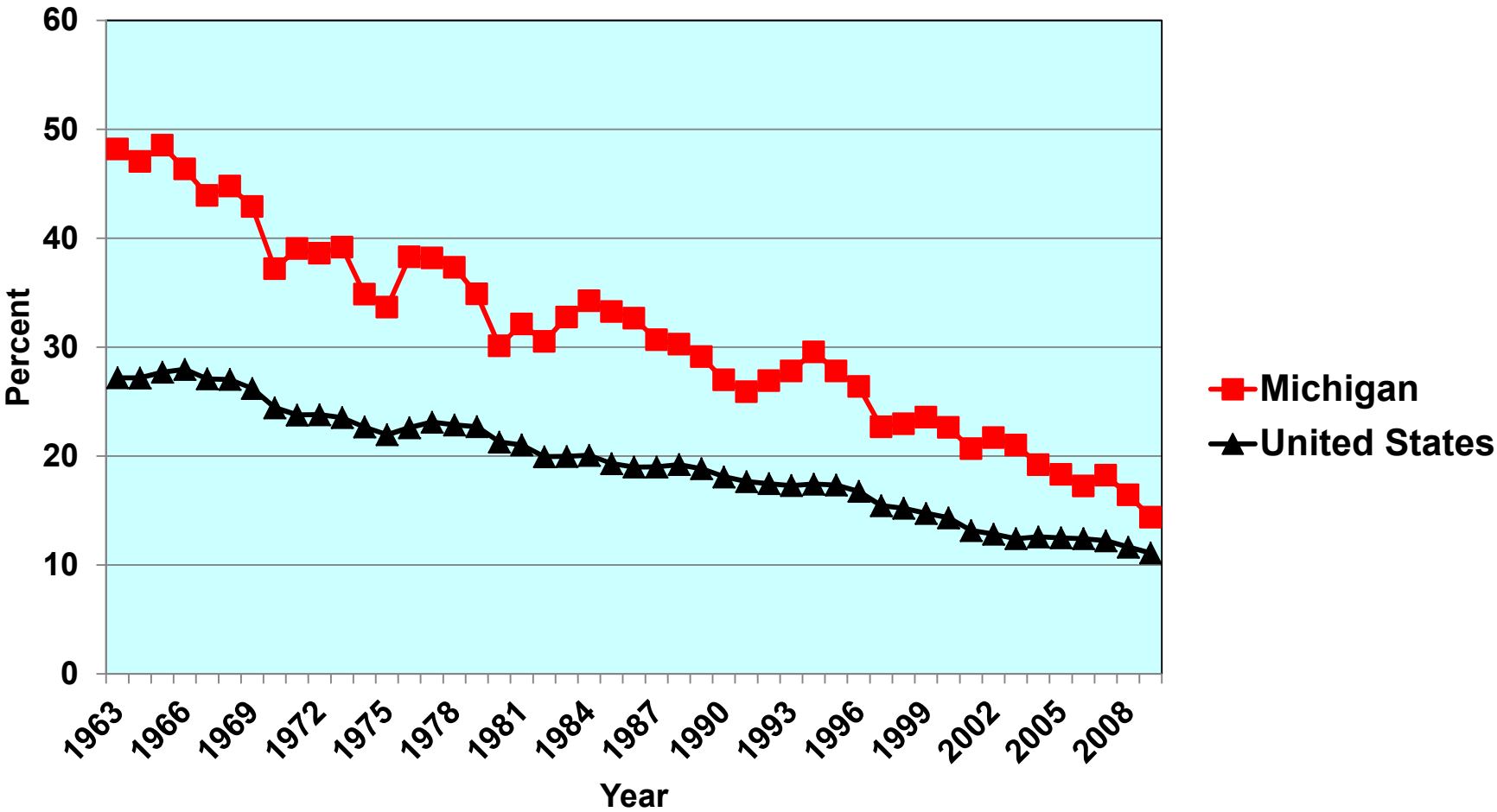
**Presented to:
Eastern Michigan University**

March 17, 2011

**Charles L. Ballard
Department of Economics
Michigan State University
East Lansing, MI
ballard@msu.edu**

Manufacturing's Share of the Economy Has Shrunk Dramatically

Manufacturing's Share of Gross Product, for Michigan and for the United States, 1963-2009



Employment Losses During Michigan's Structural Transformation

June 2000 – December 2000:	26,800
2001:	172,200
2002:	20,900
2003:	64,400
2004:	3,900
2005:	27,800
2006:	78,800
2007:	49,300
2008:	197,500
2009:	204,300
2010:	12,900

Total for the Period: 858,800

= 18.3% of the jobs in Michigan at the beginning of the slide.

In January 2011, Michigan added 39,700 jobs.

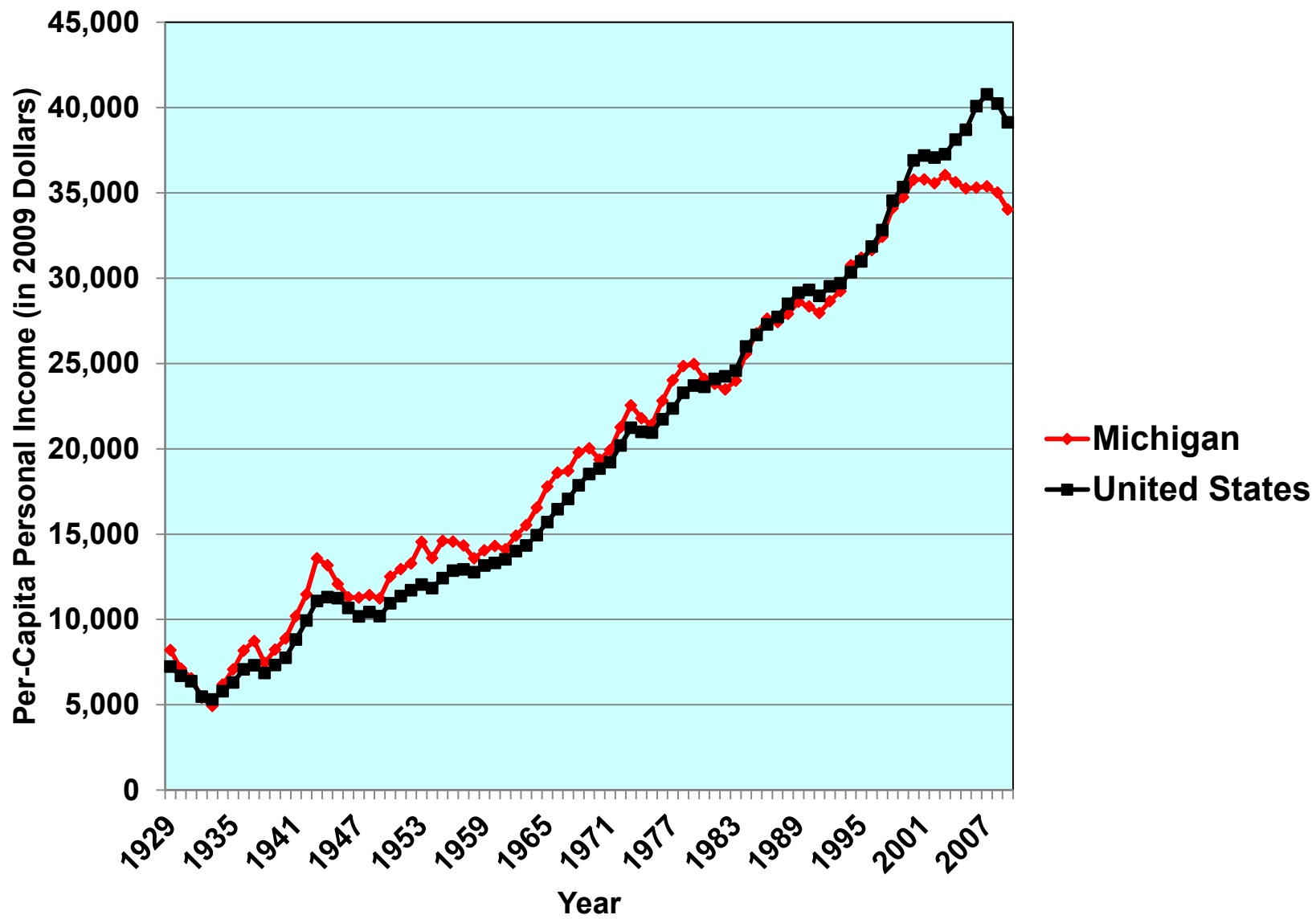
That's the biggest one-month increase since 1998.

There is good reason to hope that the worst is over.

**Despite our struggles,
Michigan is not a poor place.**

**If we want to educate our
children properly, and
provide other public
services, the resources are
there.**

**Inflation-Adjusted Per-Capita Personal Income,
In Michigan and the United States, 1929-2009**



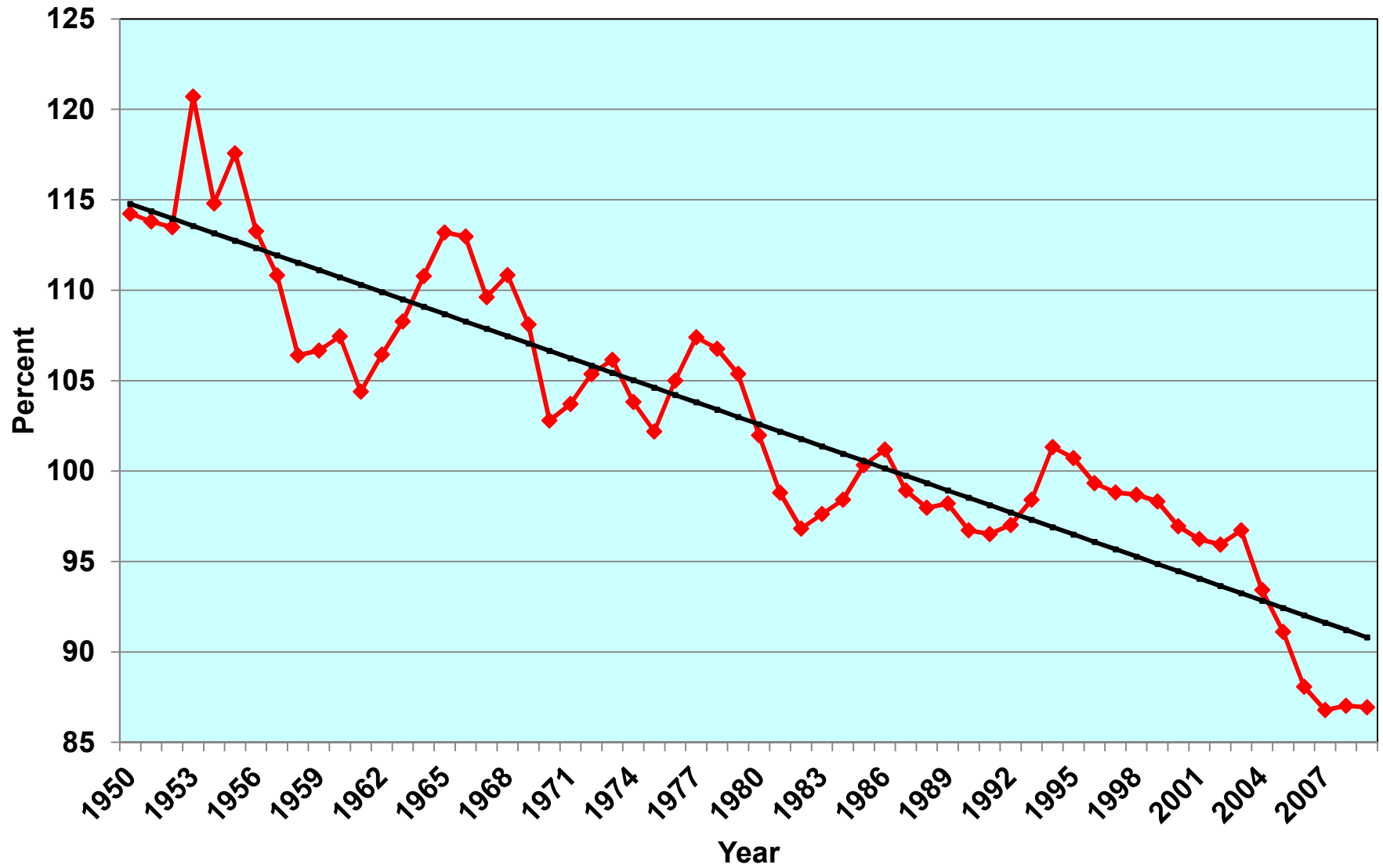
Although Michigan is not a poor place, there *are* poor people in Michigan, and incomes are distributed *much* more unequally than they were 35 years ago.

Michigan Has Big Regional Differences in Per-Capita Income (2008)

1. Oakland County	\$53,650
2. Midland County	\$41,990
3. Leelanau County	\$40,656
4. Washtenaw County	\$39,107
5. Livingston County	\$39,039
7. Macomb County	\$36,462
12. Kalamazoo County	\$35,190
13. Kent County	\$35,099
Michigan Average	\$34,953
15. Ingham County	\$33,685
17. Monroe County	\$33,397
23. Wayne County	\$32,094
32. Lenawee County	\$30,594
39. Jackson County	\$29,610
57. Hillsdale County	\$26,923
83. Luce County	\$22,158

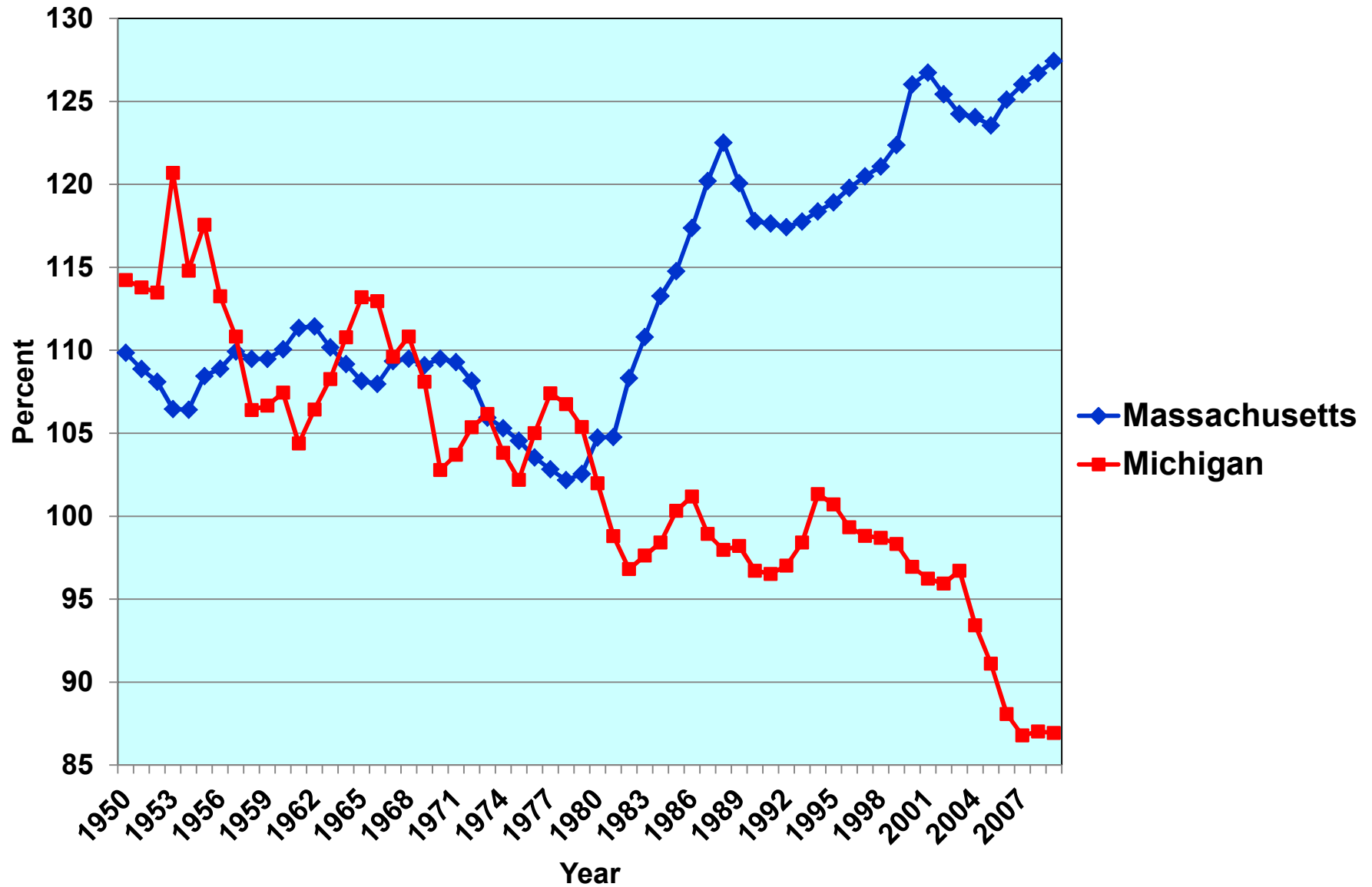
Also, although Michigan is not a poor place, our economy has not grown as fast as the national average.

Per-Capita Personal Income: Michigan As Percent of the United States, 1950-2009



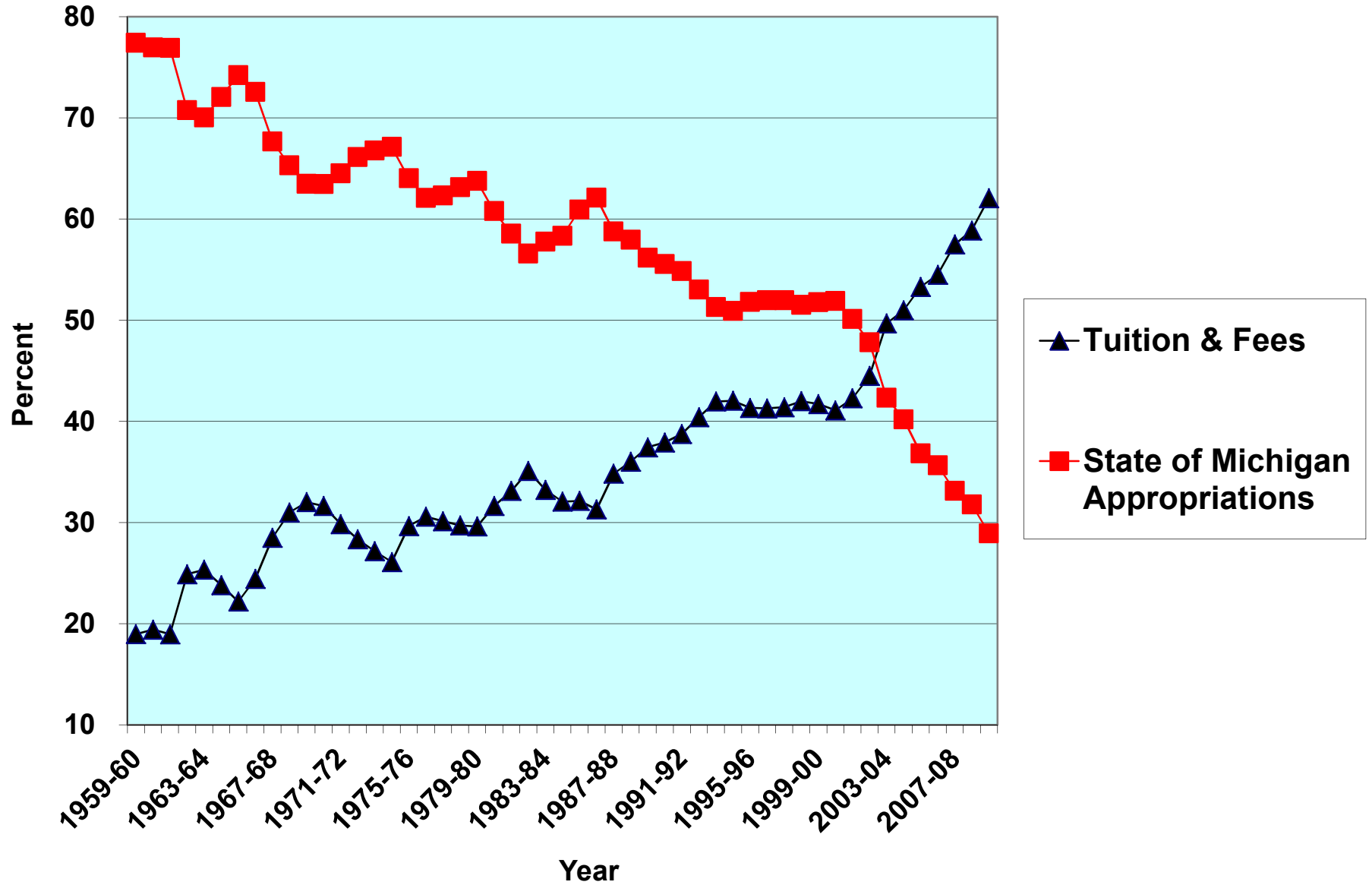
Many of the most successful states have been those with high levels of educational attainment.

Per-Capita Personal Income in Massachusetts and Michigan, As Percent of the United States, 1950-2009



At a time when education is so crucial to our future, Michigan has pursued a policy of systematic disinvestment in education.

Sources of Funds for Michigan State University, 1959-60 to 2009-10



In order to be equivalent to the real budget reductions of the last eight years, we would have to cease state support for:

Eastern Michigan,

Ferris State,

Grand Valley State,

Lake Superior State,

Michigan Tech,

Northern Michigan,

Oakland,

Saginaw Valley State,

UM-Dearborn, and

UM-Flint.

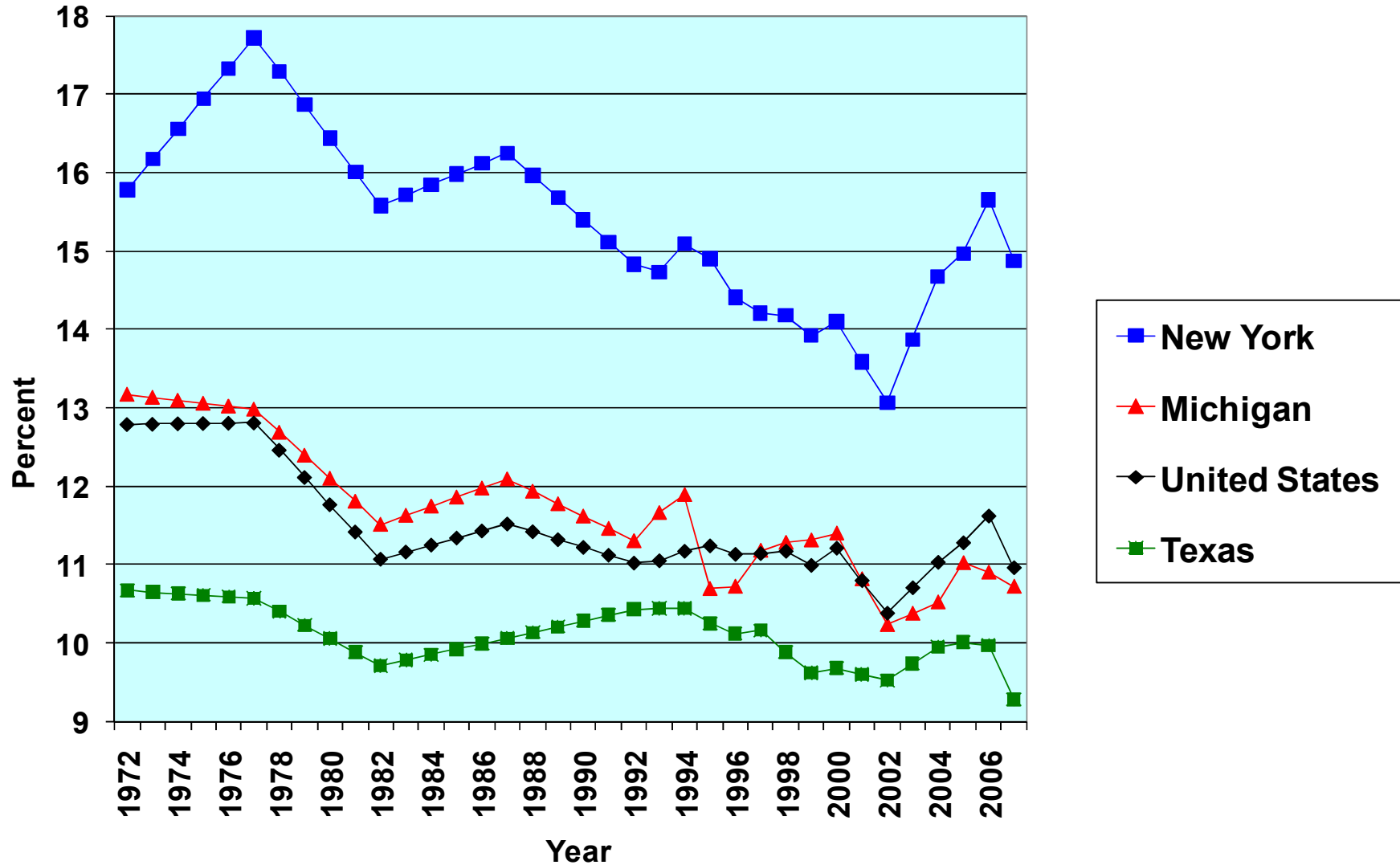
- **Michigan is Underinvested in Education, Training, and Skill, From Pre-School to Ph.D.**
- **In addition to the big premium for a Bachelor's degree, the social returns are very large for**
 - (1) early-childhood education, and**
 - (2) high-school completion.**

State and Local Taxes As Percent of Personal Income:

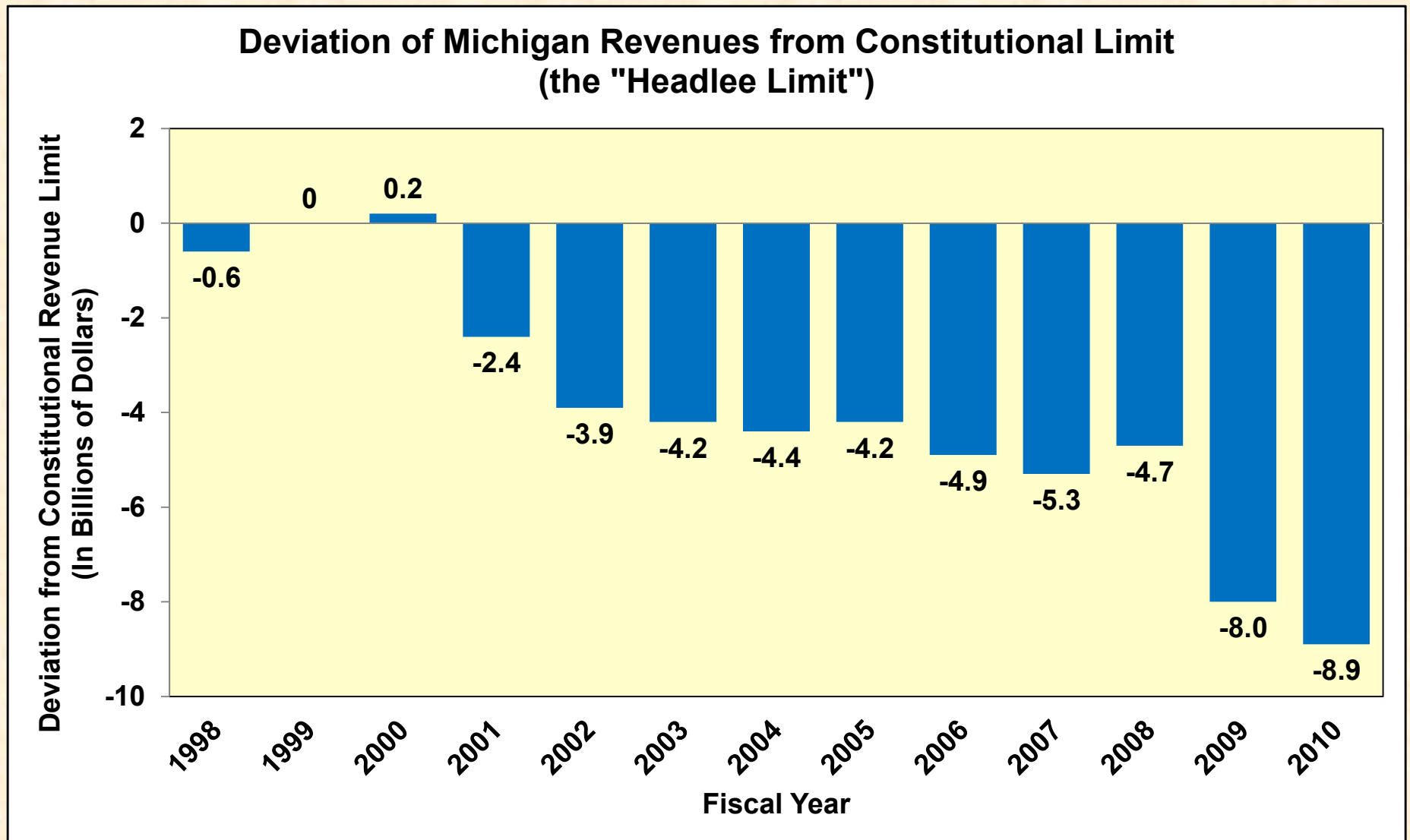
- **Michigan used to be above the national average, but is now below**
- **The national average has fallen substantially**

Tax Effort Has Reduced Substantially

State and Local Taxes as Percent of Personal Income, 1972-2007



State Revenues Have Fallen FAR Below the Constitutional Limit



The Structural Deficit:

None of the major sources of revenue for state and local governments in Michigan keeps up with the economy.

Thoughts on Gov. Snyder's Budget Proposals



**Eliminate the Michigan
Business Tax**

**(This moves toward a more level
playing field among different
sectors.)**



**Hack away at the thicket
of business tax credits.**

**(This also moves toward a
more level playing field among
different sectors.)**



Reduce the preferential treatment of retirement income.

(This moves toward a more level playing field among different sources of income.)

↓ **Slash funding for K-12 schools.**

↓ **Slash funding for higher education.**

↓ **Slash revenue sharing for local governments.**

↓ **Eliminate the Earned Income Tax Credit.**

Other Potential Sources of Tax Revenue:

- **Extend the sales tax to services and entertainments.**
- **Establish a graduated income tax, or at least raise the flat rate of the current income tax.**

- **Decouple from the Federal Estate Tax, so that we can once again collect estate taxes.**
- **Convert the excise taxes on beer and wine to a percentage basis, and/or return them to earlier levels.**

Better Attitudes for a Better Michigan

- **A Culture of Lifelong Learning**
- **Innovation and Entrepreneurship**
- **An End to Bitter Partisanship**
- **A Positive Attitude, to Keep Going
Through Difficult Times**

Michigan, My Michigan

A song to thee, fair State of mine,
Michigan, my Michigan.

But greater song than this is thine,
Michigan, my Michigan.

The whisper of the forest tree,
The thunder of the inland sea,
Unite in one grand symphony
Of Michigan, my Michigan.