

Michigan's Economic Future

Presented to:

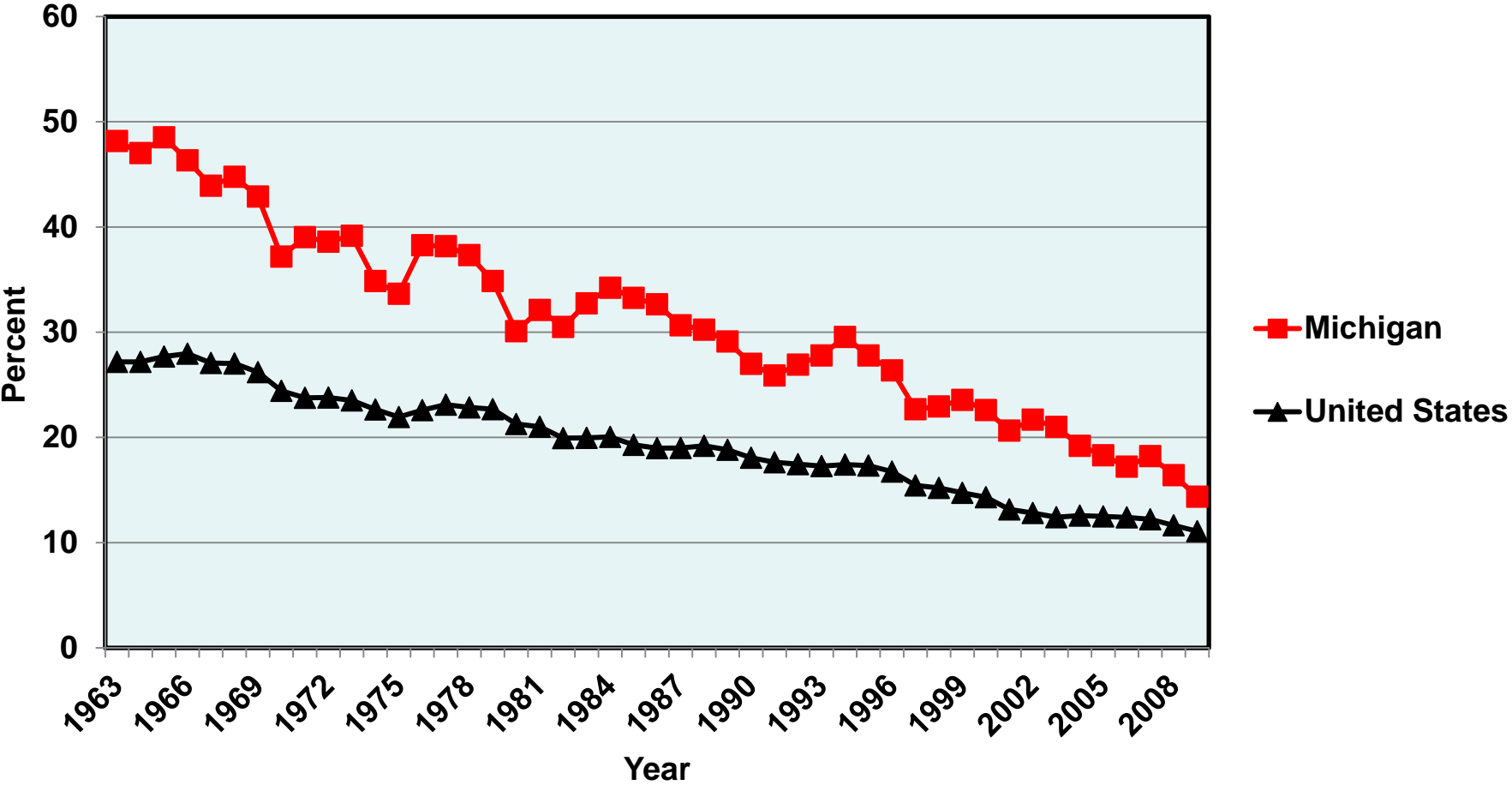
Capital Quality and Innovation

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Manufacturing's Share of the Economy Has Shrunk Dramatically

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



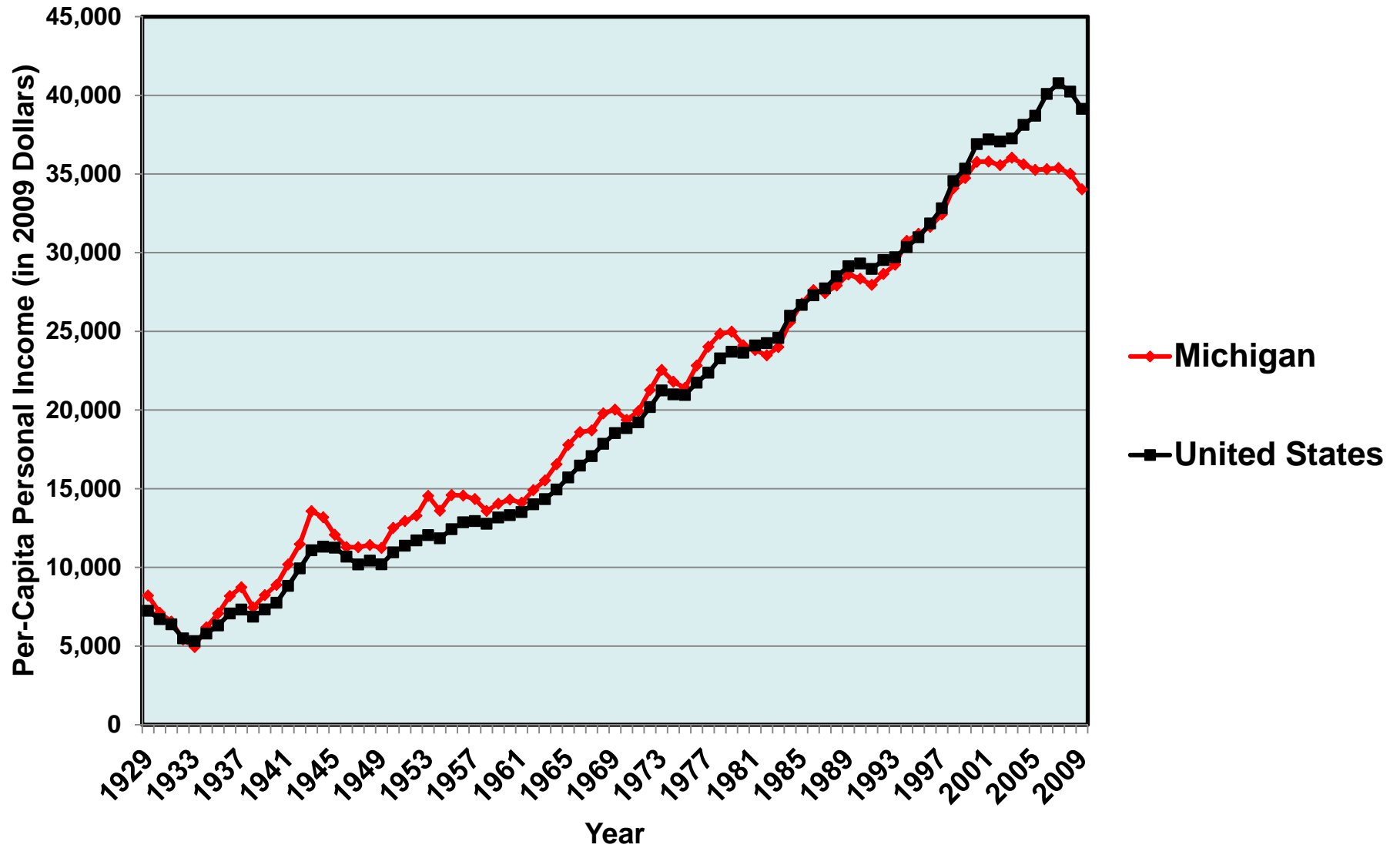
The unemployment rate in Michigan has now decreased for 18 consecutive months.

There is good reason to believe 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.**

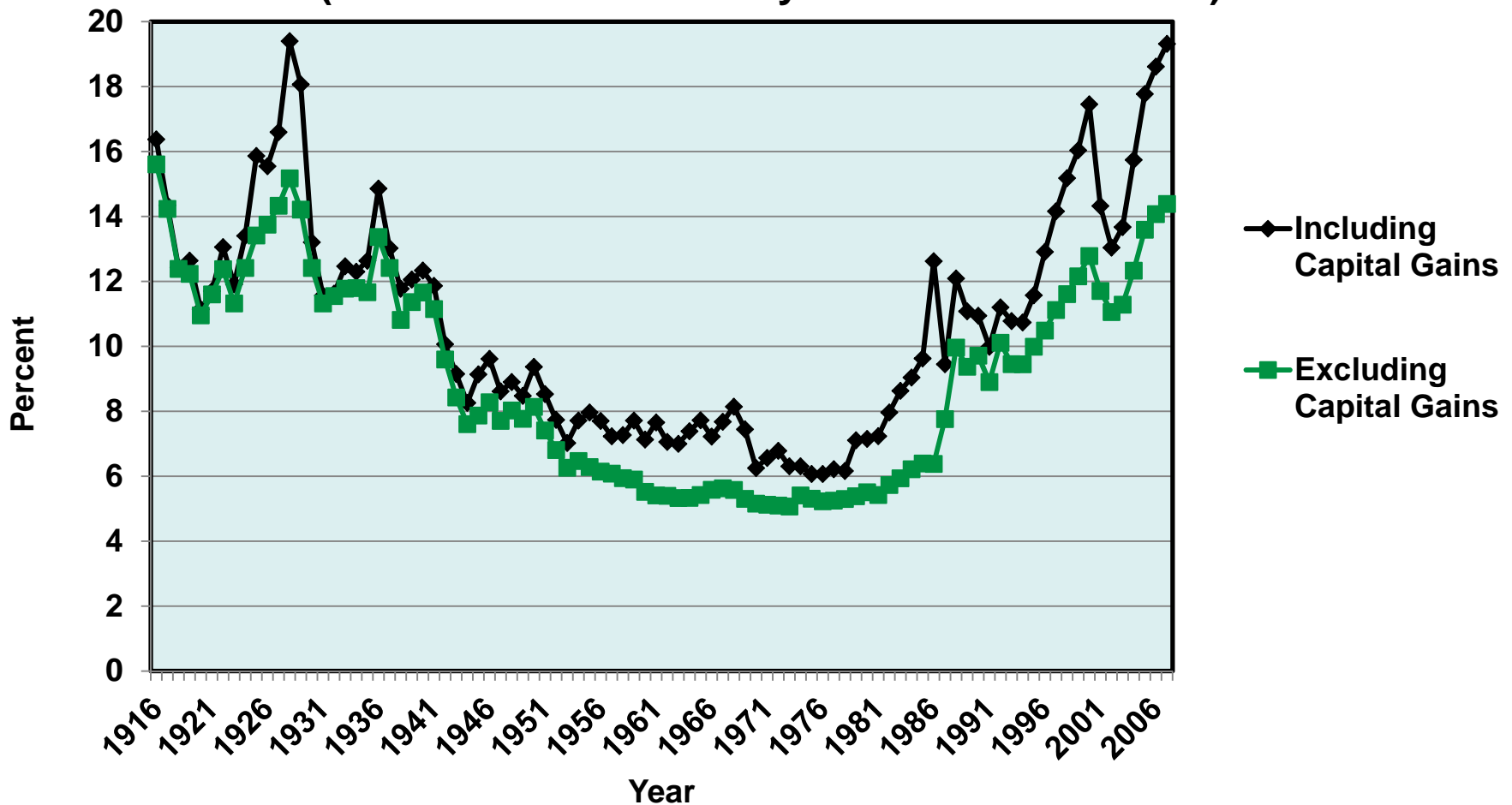
Inflation-Adjusted Per-Capita Personal Income, In Michigan and the United States, 1929-2009



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.

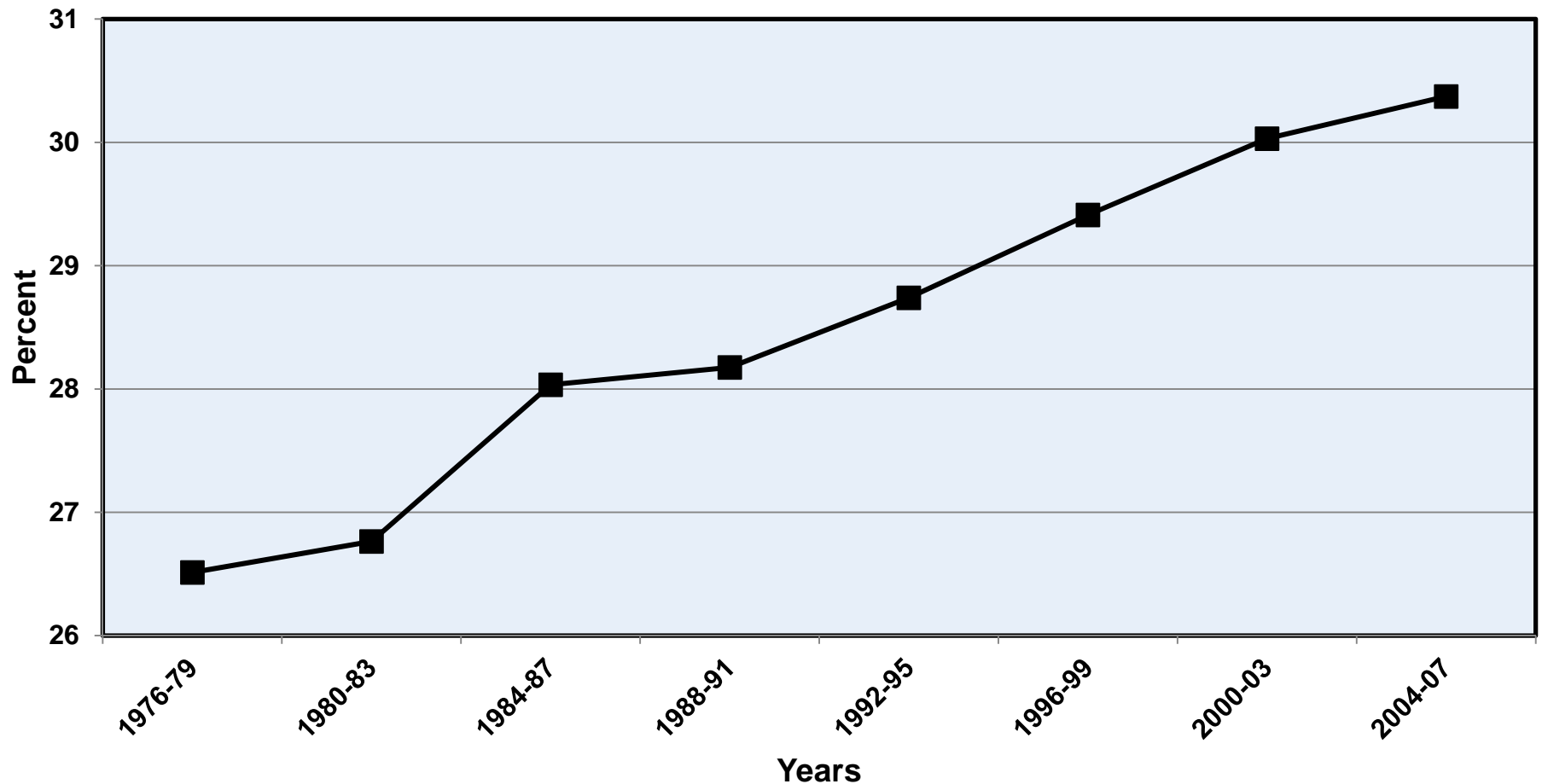
The United States Has Returned to a Degree of Income Inequality Not Seen For 100 Years

Percentage of Income in the United States Received by the Top One-Half of One Percent of Households, 1916-2007
(Source: Thomas Piketty and Emmanuel Saez)



Incomes Have Disequalized in Michigan, As In Most Other States

Percentage of Personal Income in Michigan Received by the Top 10 Percent of Households, Four-Year Averages, 1976-2007

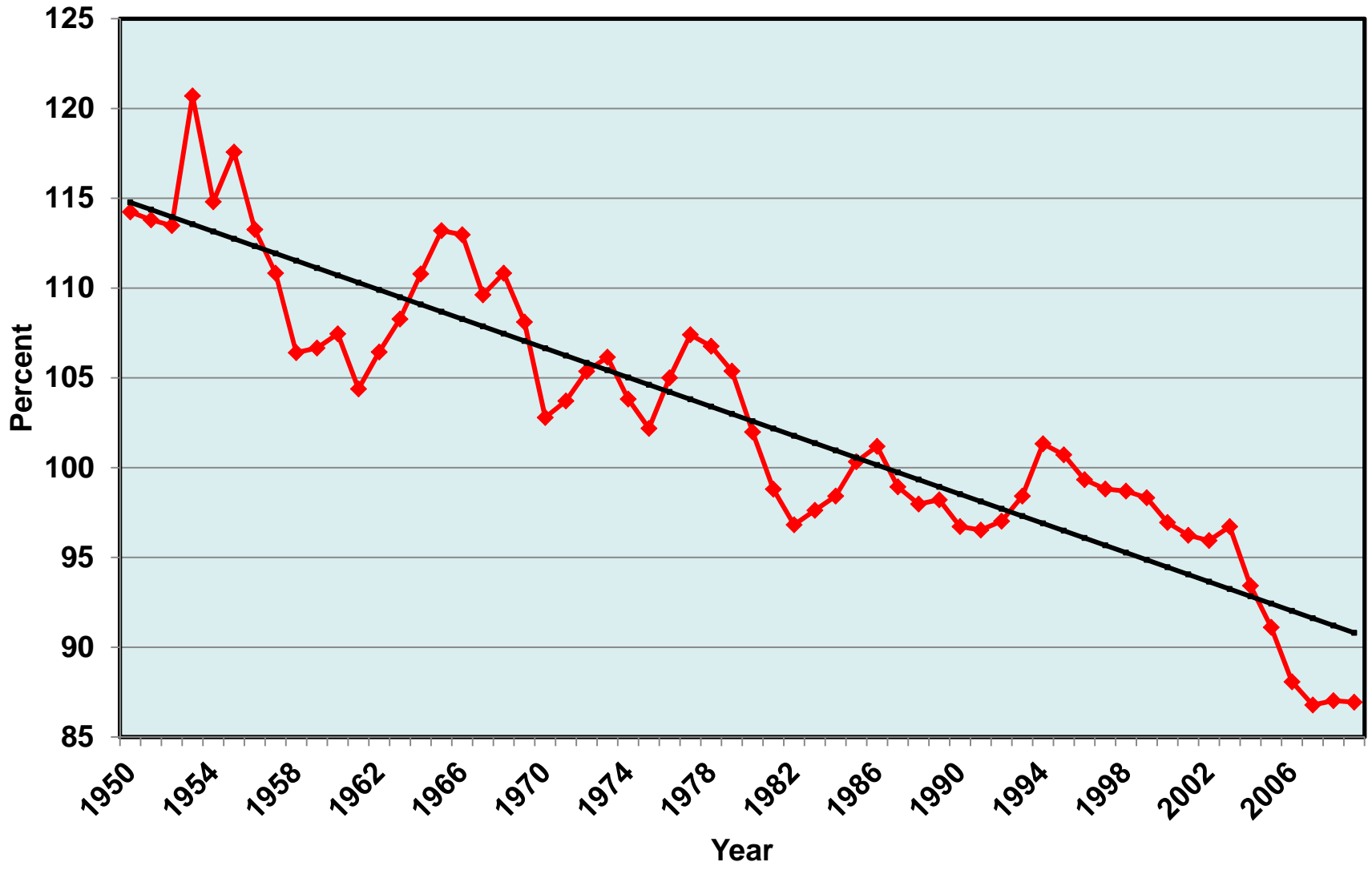


Michigan Has Big Regional Differences in Per-Capita Income (2009)

1. Oakland County	\$50,334
2. Midland County	\$41,853
3. Leelanau County	\$39,815
5. Washtenaw County	\$37,859
8. Macomb County	\$36,004
11. Kalamazoo County	\$34,502
<i>Michigan Average</i>	<i>\$34,315</i>
14. Ingham County	\$34,083
15. Kent County	\$33,635
21. Barry County	\$32,286
22. Calhoun County	\$32,227
24. Wayne County	\$31,888
42. Genesee County	\$29,526
62. St. Joseph County	\$26,899
63. Hillsdale County	\$26,642
83. Oscoda County	\$22,934

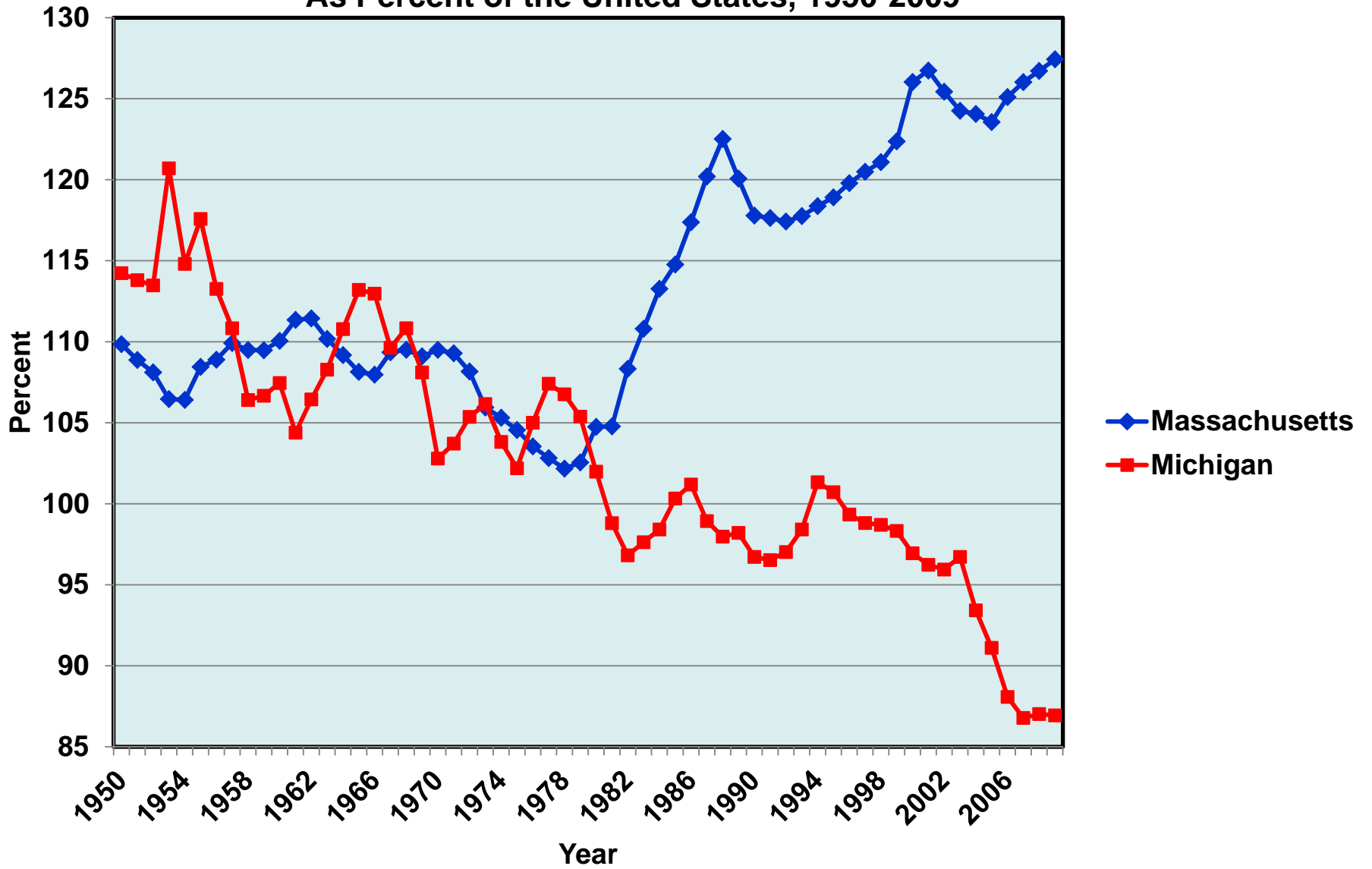
Also, although Michigan is not a poor place, our economy has not grown as fast as the national average.

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



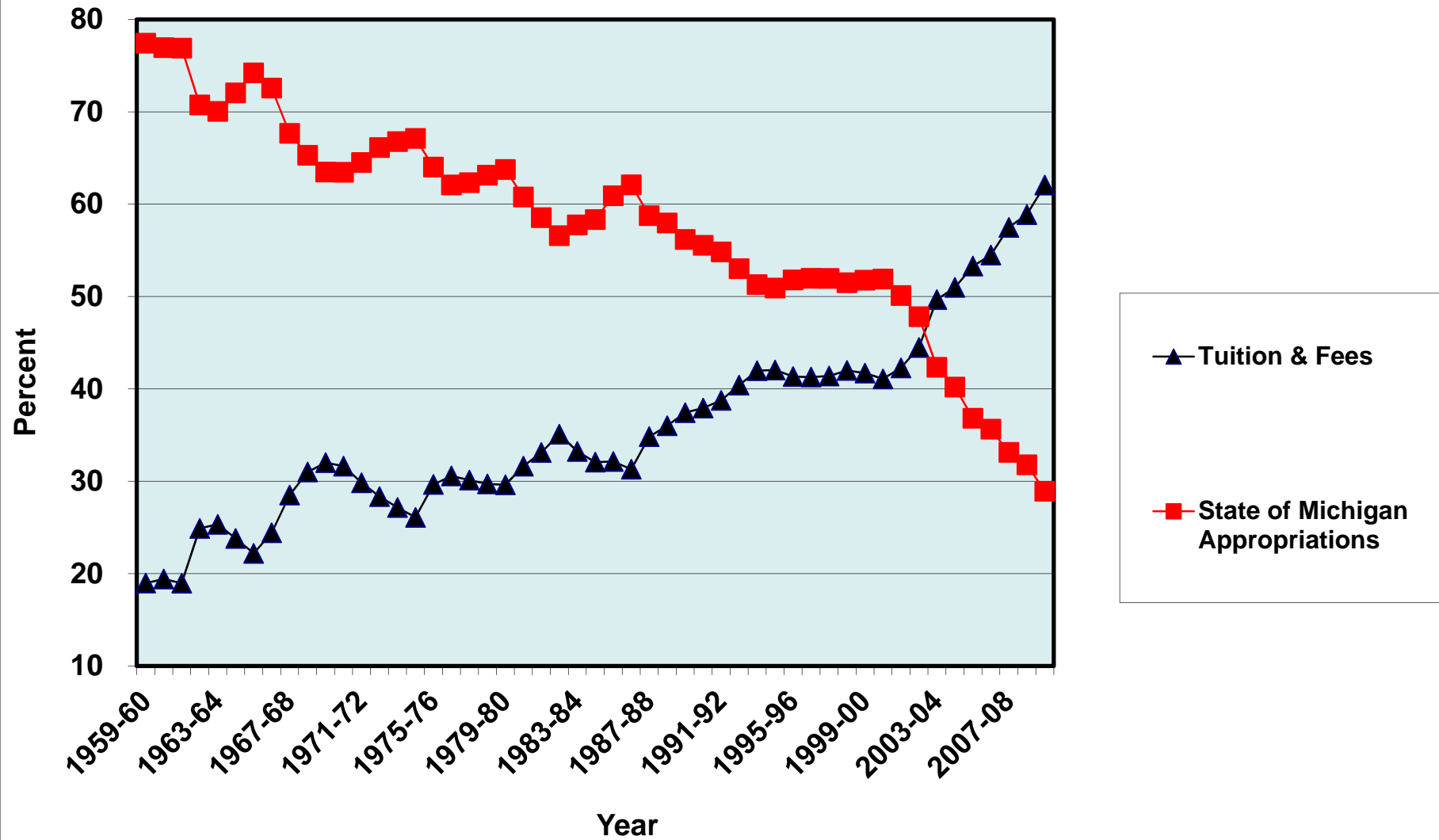
Many of the most successful states have been those with high levels of educational attainment.

**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.**

As long as we stick with a nineteenth-century school year of only 180 classroom days, we simply cannot claim that we are serious about preparing for the workforce needs of the future.

Much of our underinvestment in education is in very basic things, such as reading and math.

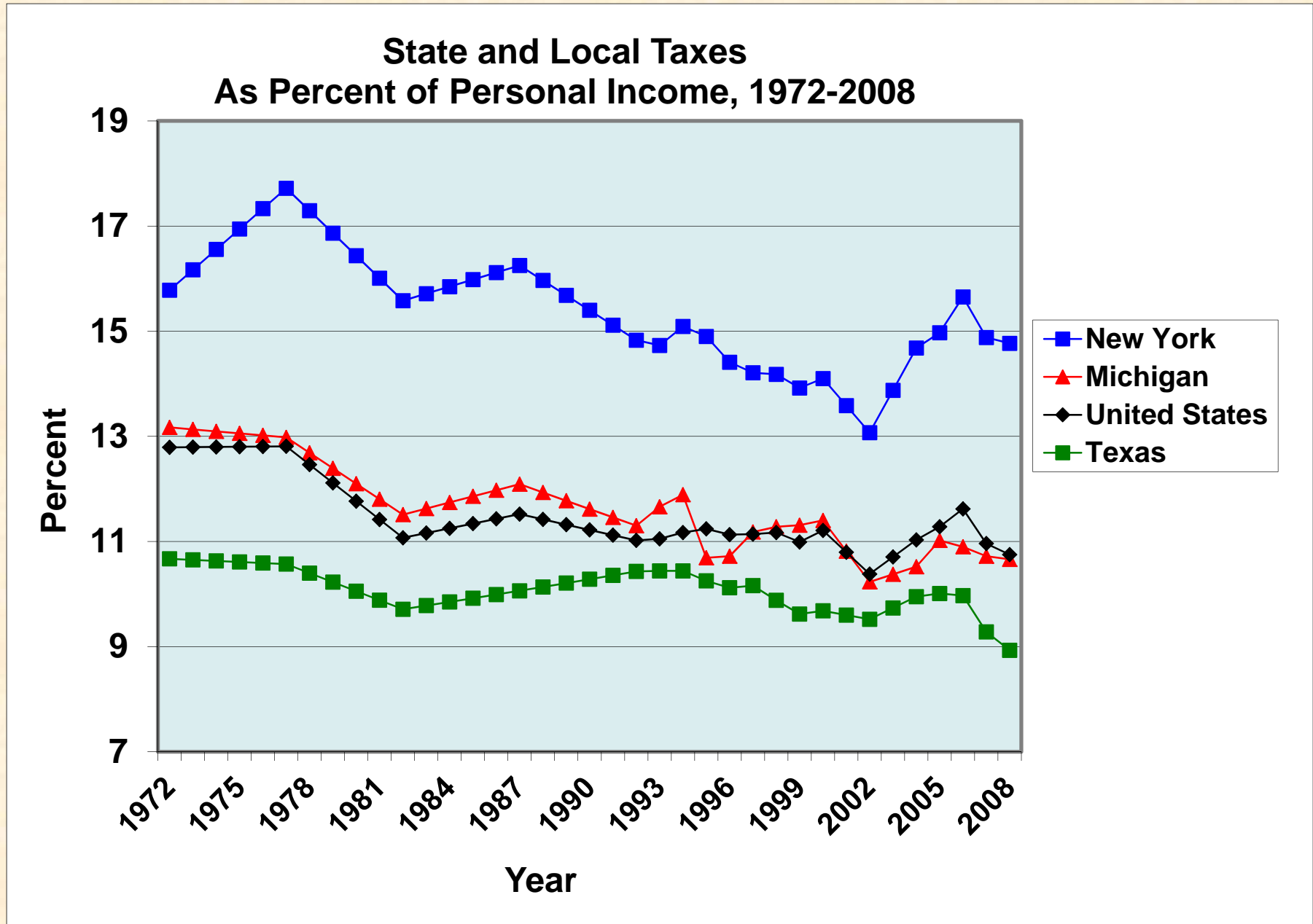
However, we can also increase our emphasis on innovation and entrepreneurship.

How about: “January is Innovation Month in Michigan”

State and Local Taxes As Percent of Personal Income:

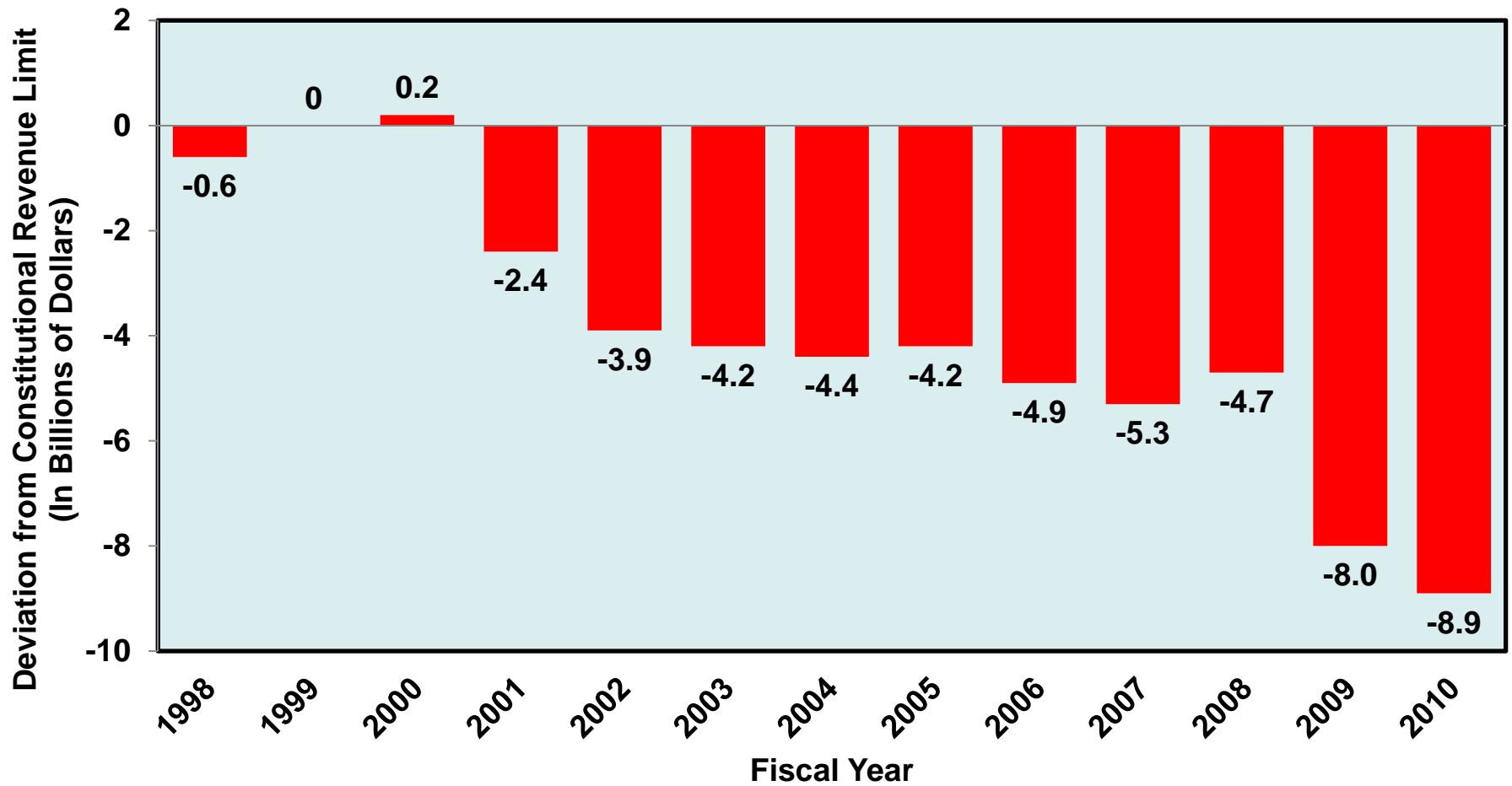
- **Michigan used to be above the national average, but is now below**
- **The national average has fallen substantially**

Tax Effort Has Reduced Substantially



State Revenues Have Fallen FAR Below the Constitutional Limit

Deviation of Michigan Revenues from Constitutional Limit
(the "Headlee Limit")



Thoughts on Gov. Snyder's Budget Proposals



**Moves toward a more level
playing field among sectors.**

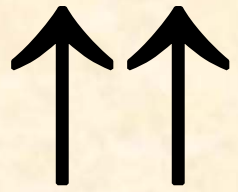


**Continues the trend toward
greatly reduced public
services.**

↑ ↓ Reduce business taxes.

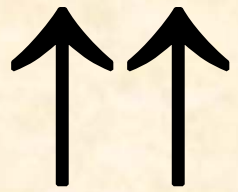
**↑ Moves toward a more level
playing field among sectors.**

↓ Exacerbates the budget deficit.



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

**(This also moves toward a more
level playing field among
different sectors, and it raises
revenue.)**



Reduce the preferential treatment of retirement income.

(This moves toward a more level playing field among different sources of income, and it raises revenue.)



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.