

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

**Charles L. Ballard  
September 23, 2010**

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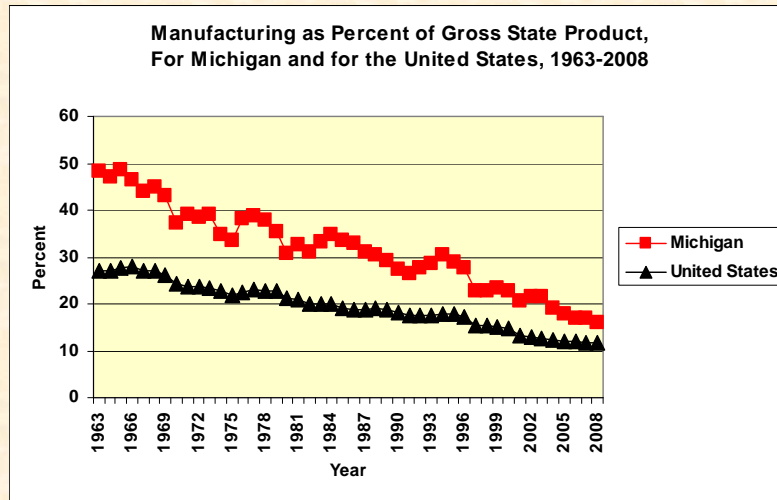
***Michigan's Economy:  
Past, Present, and Future***

**Presented to:  
Michigan Credit Union League  
Executive Summit**

**September 23, 2010**

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## Manufacturing's Share of the Economy Has Shrunk Dramatically



## 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
<b>Total for the Period:</b>	<b>845,900</b>

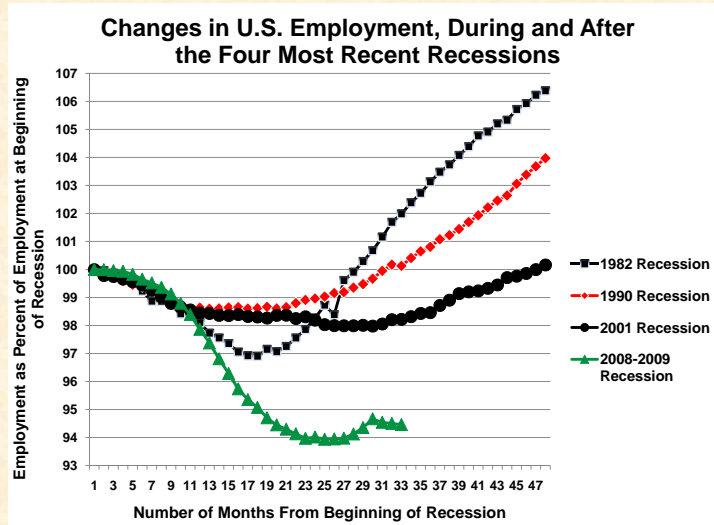
**= 18% of the jobs in Michigan at the beginning of the slide.**

- **But in the first 7 months of 2010, employment in Michigan has actually risen by 31,600 jobs.**
- **As a result, Michigan no longer leads the nation in the rate of unemployment.**

**During the Worst Economic Downturn in 75 Years, Employment Has Followed A Similar Pattern Across Many Regions of the United States**

	<u>Dec. 2007</u>	<u>June 2009</u>	<u>July 2010</u>
• North Dakota	3.0%	4.4%	3.6%
• Texas	4.4%	7.8%	8.2%
• New York	4.7%	8.6%	8.2%
• <b>U.S. Average</b>	<b>5.0%</b>	<b>9.5%</b>	<b>9.6%</b>
• Illinois	5.5%	10.3%	10.3%
• Florida	4.7%	10.5%	11.5%
• Ohio	5.6%	10.5%	10.3%
• California	5.8%	11.6%	12.3%
• <b>Michigan</b>	<b>7.1%</b>	<b>13.9%</b>	<b>13.1%</b>
• Nevada	5.2%	11.9%	14.3%

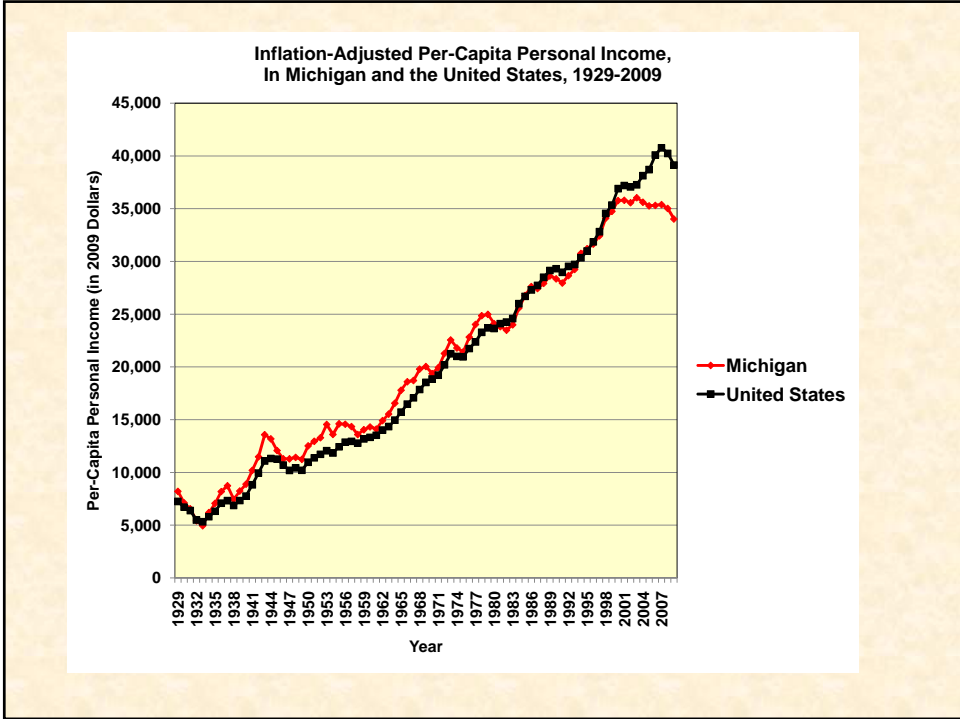
**The recent recession is BY FAR the worst since the Great Depression, and the recovery is likely to be long and slow**



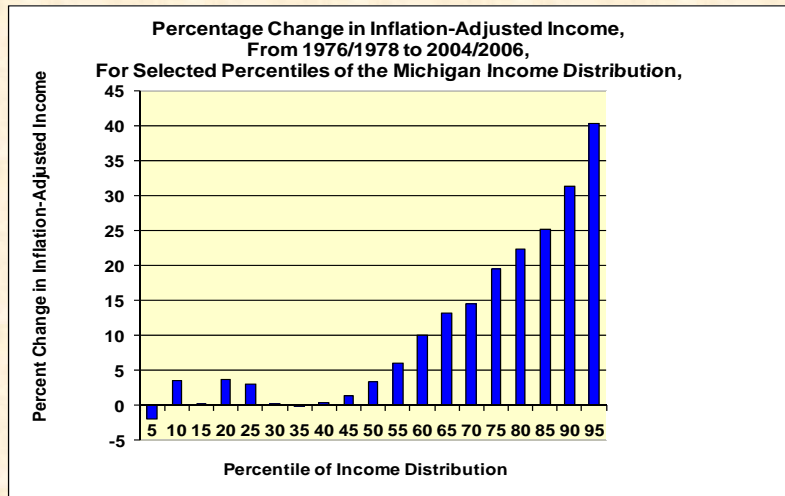
**Despite our struggles, Michigan is not a poor place.**

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

**While resources are not lacking, the political will to marshal those resources often is lacking.**

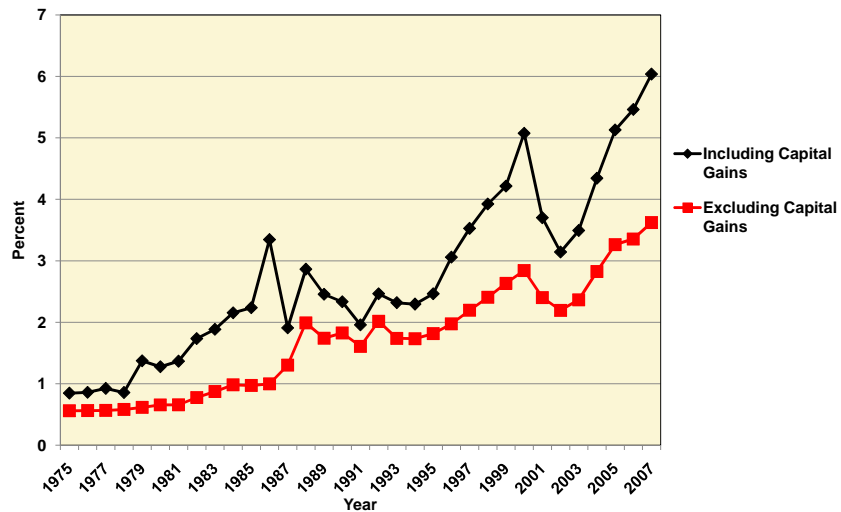


## But Incomes Have Stagnated for the Bottom Half of the Michigan Income Distribution



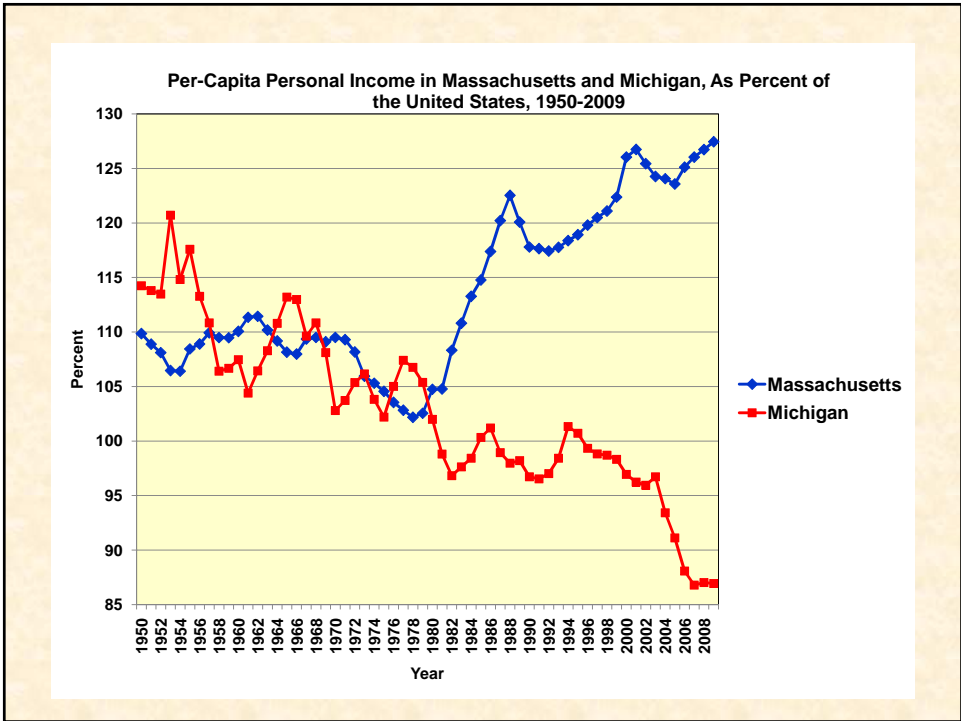
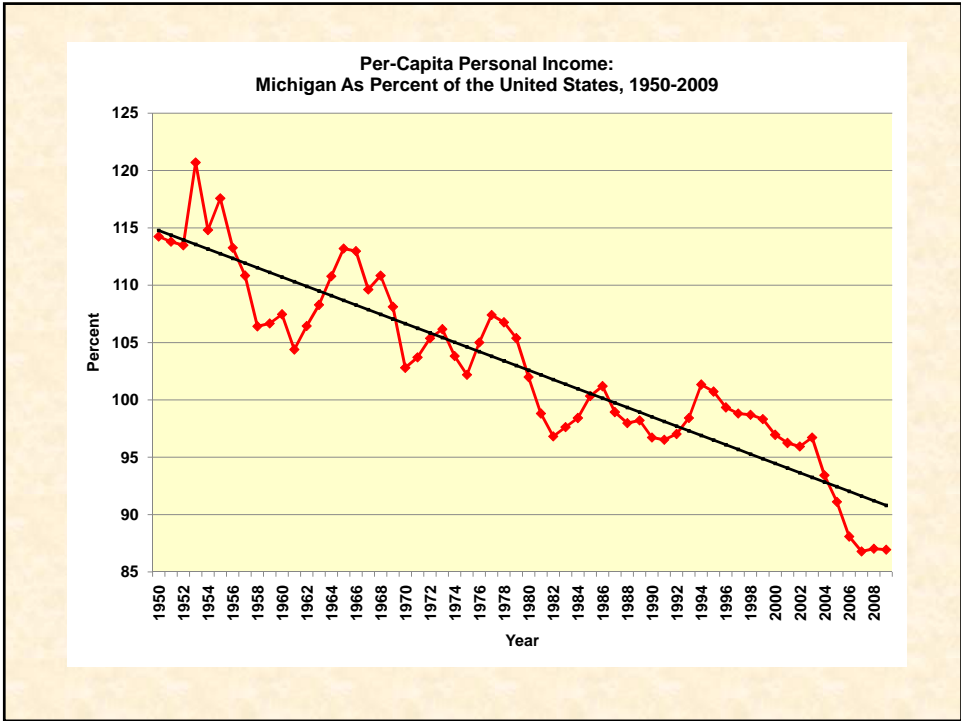
## In the United States, those with the very highest incomes have done VERY well

Percentage of Income in the United States Received by the Top One-Hundredth of One Percent, 1975-2007

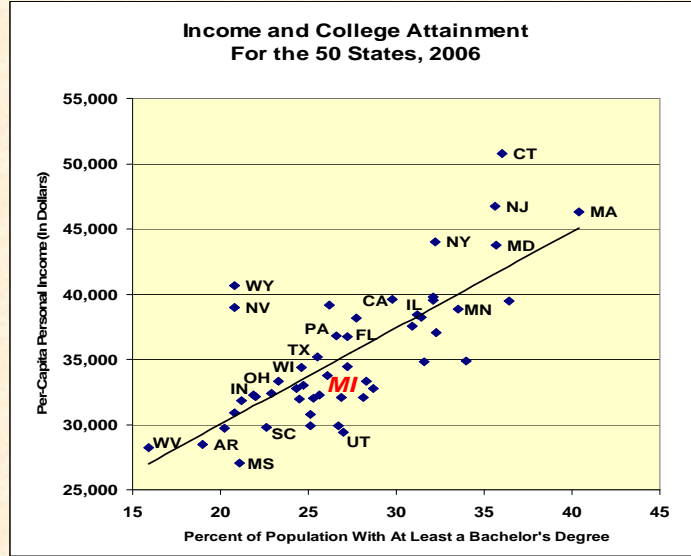


## Michigan Has Big Regional Differences in Per-Capita Income (2008)

1. Oakland County	\$53,650
2. Midland County	\$40,252
3. Leelanau County	\$40,656
4. Washtenaw County	\$39,107
7. Macomb County	\$36,462
13. Kent County	\$35,099
<b>Michigan Average</b>	<b>\$34,953</b>
15. Ingham County	\$33,685
23. Wayne County	\$32,094
34. Saginaw County	\$30,143
43. Genesee County	\$29,488
68. Ionia County	\$25,371
83. Luce County	\$22,158

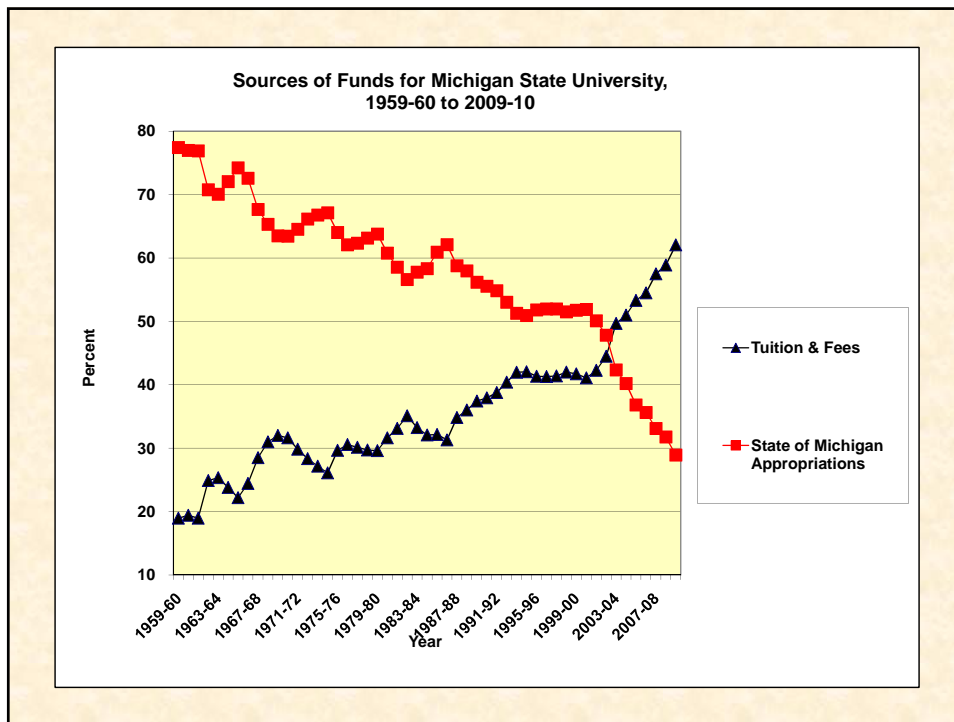


## College Attainment Has a Decisive Influence on Per-Capita Income



## Average Earnings in 2008, for Men 45-54 Who Worked Full-Time Year-Round

- Professional Degree                    \$190,909
- Master's Degree                        \$116,129
- Bachelor's Degree                     \$ 94,642
- Associate's Degree                     \$ 60,788
- Some College (No Degree)         \$ 58,439
- High-School Graduate                \$ 49,003
- Some H.S. (No Diploma)          \$ 34,707
- Less Than 9th Grade                 \$ 30,166



**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.**

## **Potential Sources of Future Employment**

- **Health Care**
- **Information Technology (IBM!!)**
- **High Technology (FRIB!!)**
- **Biotechnology**
- **Alternative Energy**
- **Tourism and Recreation**
- **Financial Services**
- **Some Day, Somehow, the Automobile Sector Will Stabilize.**

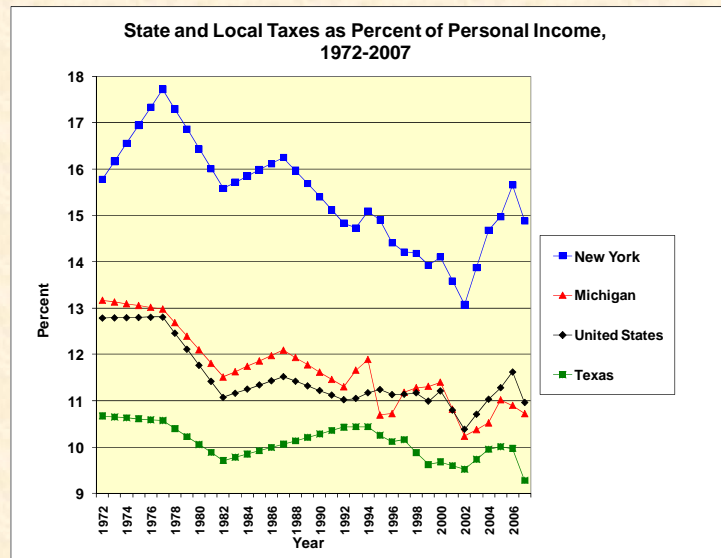
- **From 2003 (the peak year) to 2009, School Aid Fund revenues have fallen by from 13% to 20%, depending on the adjustment for inflation.**
- **The House Fiscal Agency predicts a drop of 4% more this year.**

- **From 2000 (the peak year) to 2009, General Fund revenues have fallen by from 39% to 46%, depending on the adjustment for inflation.**
- **The House Fiscal Agency predicts a drop of 8% more this year.**

## 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



## **The Structural Deficit:**

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

### **A Tax-Reform Package for Michigan (i)**

- **Extend the Sales Tax to Services and Entertainment.**
- **Establish a Graduated Income Tax, or at least raise the flat rate of the current income tax.**
- **Reduce the Tax Preference for Retirement Income.**

## **A Tax-Reform Package for Michigan (ii)**

- **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.**

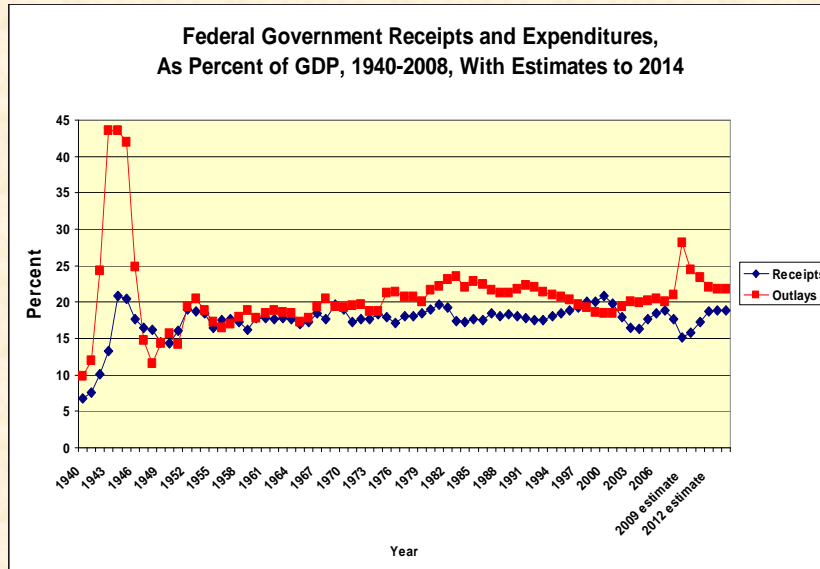
## **A Tax-Reform Package for Michigan (iii)**

- **Reduce or eliminate the Michigan Business Tax (but only if we make up the revenue elsewhere).**
- **Chip away at the vast array of small tax expenditures.**

## **Better Attitudes for a Better Michigan**

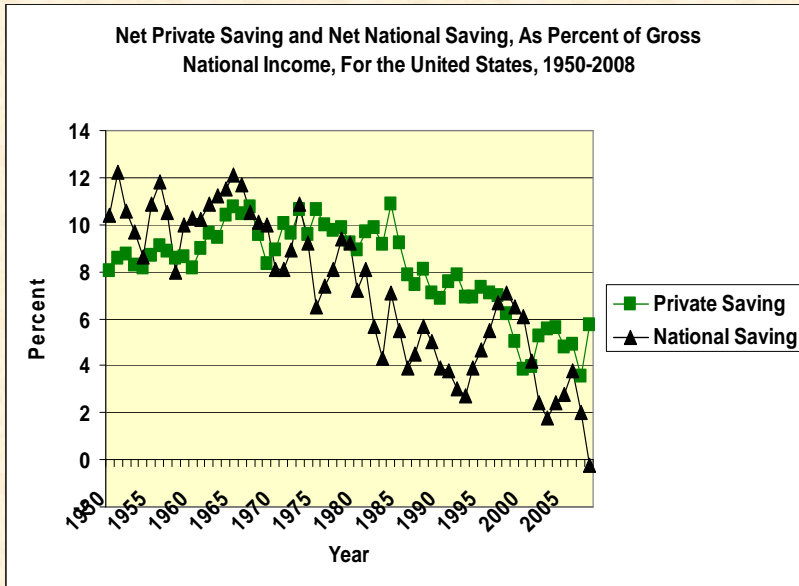
- **A Culture of Lifelong Learning**
- **Innovation and Entrepreneurship**
- **An End to Bitter Partisanship**
- **A Positive Attitude, to Keep Going  
Through Difficult Times**

**In the last 40 years, the  
Federal Government has  
balanced its budget only  
four times.**



**It's not just the Federal  
Government that forgot how  
to save.**

**Private citizens also forgot  
how to save.**



## 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.**