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Economic Issues Luncheon Michigan's Economy: Past, Present, and Future

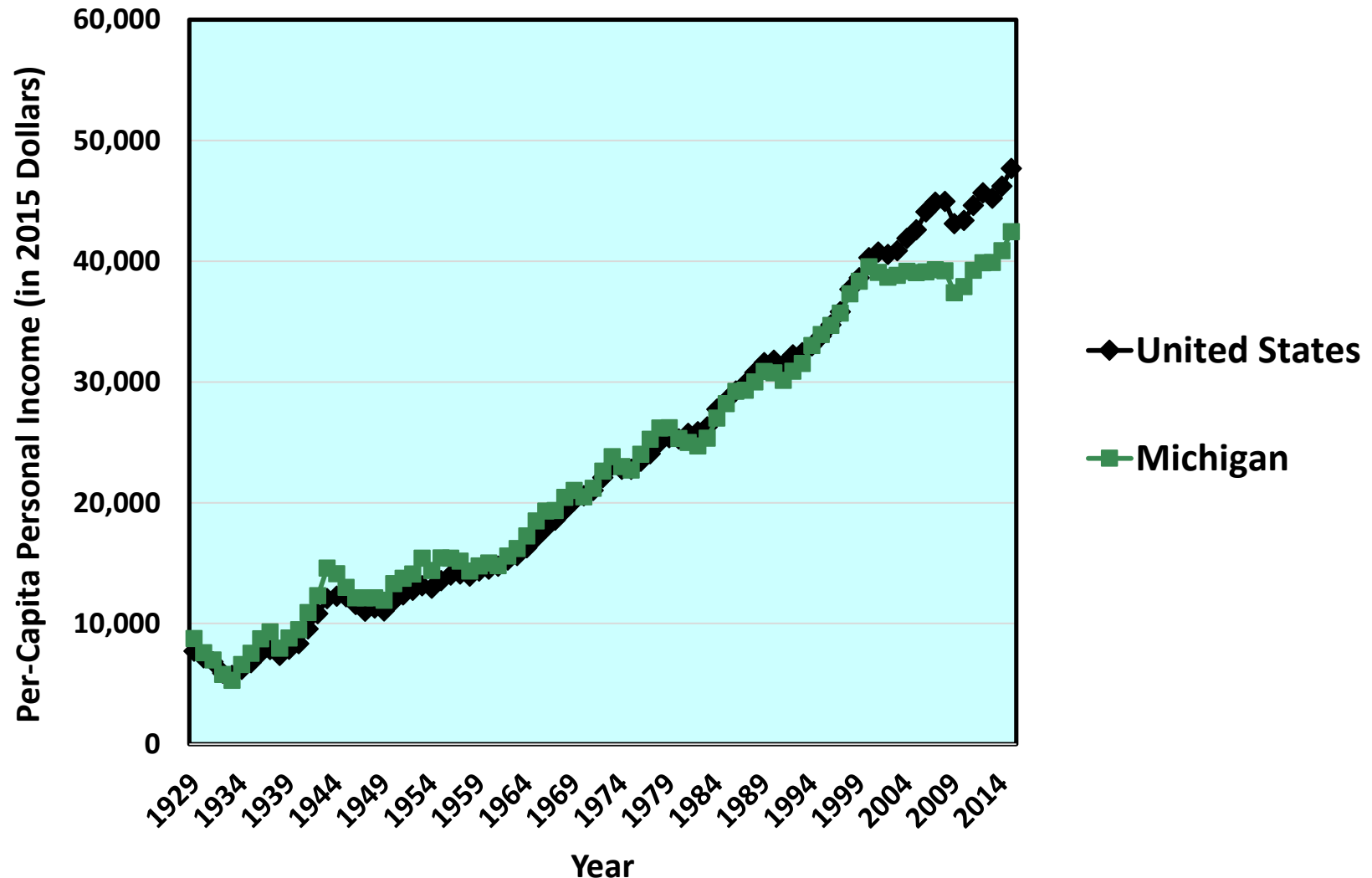
Presented by Charles Ballard

Thursday, June 9, 2016 | 11:30 a.m.

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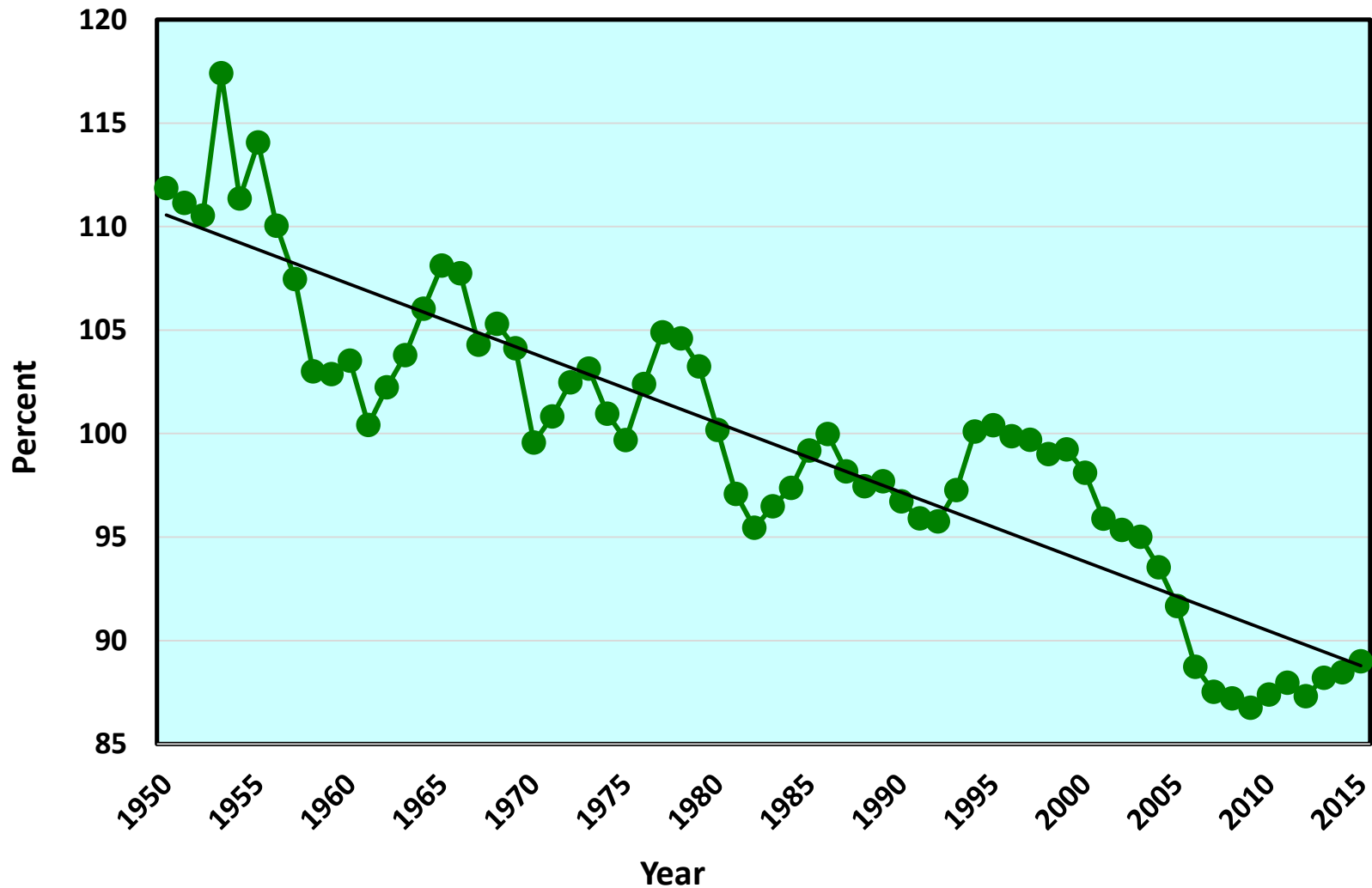
1. It may come as a surprise, but per-capita personal income in Michigan is higher than it has ever been, even after adjusting for inflation.

**Per-Capita Personal Income, Adjusted for Inflation,
In Michigan and the United States, 1929-2015**



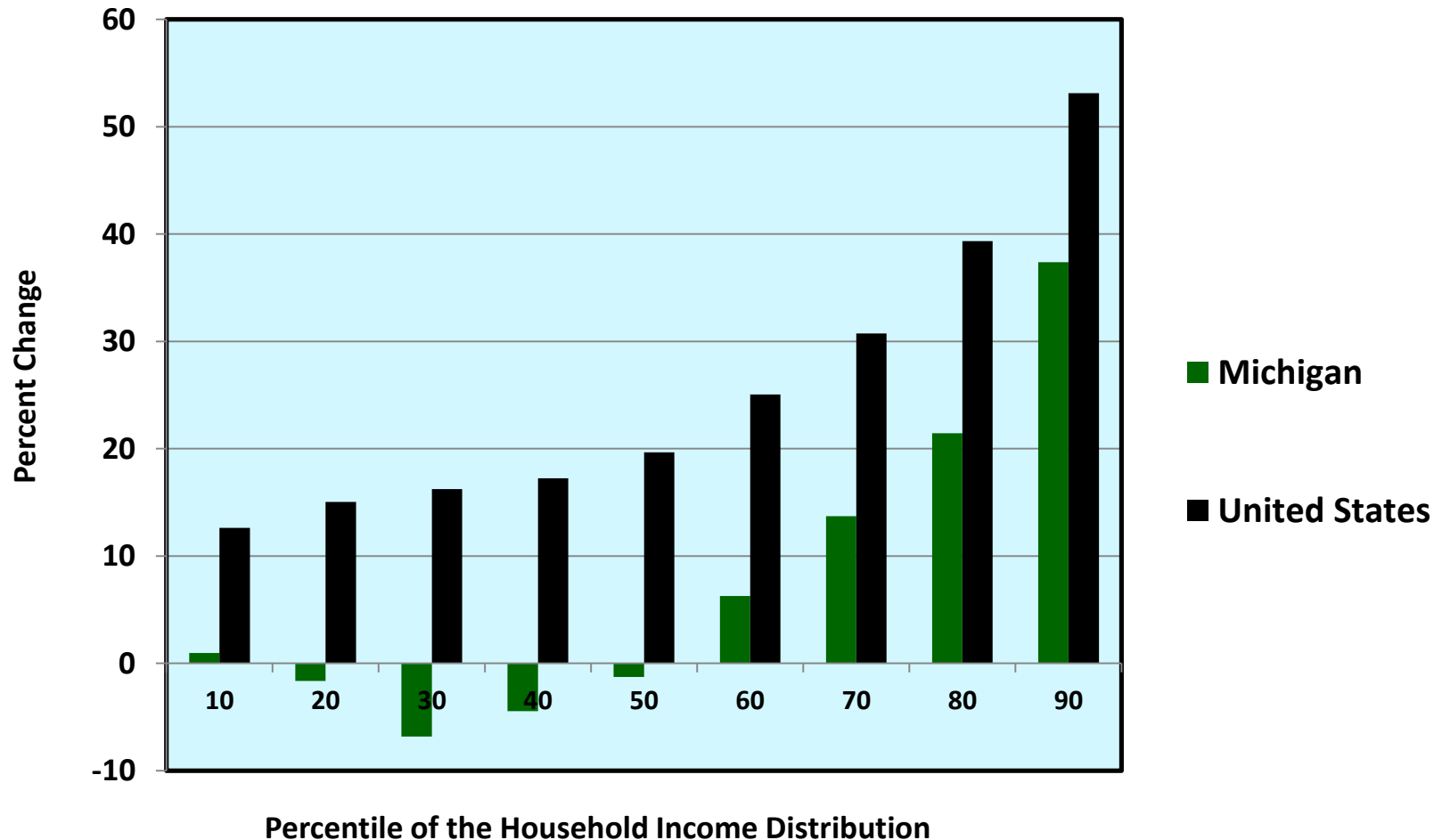
2. However, incomes in Michigan have fallen relative to the national average.

**Per-Capita Personal Income:
Michigan as a Percent of the United States, 1950-2015**



3. Also, although *average* income in Michigan is much higher than it was in the late 1970s, the bottom half of the income distribution has not seen any income gains since then.

**Percent Change in Inflation-Adjusted Income,
For Households at Selected Points in the Income Distribution,
In Michigan and the United States, 1976-78 to 2011-13**



Thus we have good news and not-so-good news:

Good News: Adjusting for inflation, per-capita income in Michigan is higher than it has ever been.

Not-so-Good News:

(1) We are still about 11 percent below the U.S. average.

(2) The income growth has only reached about half of Michigan's people.

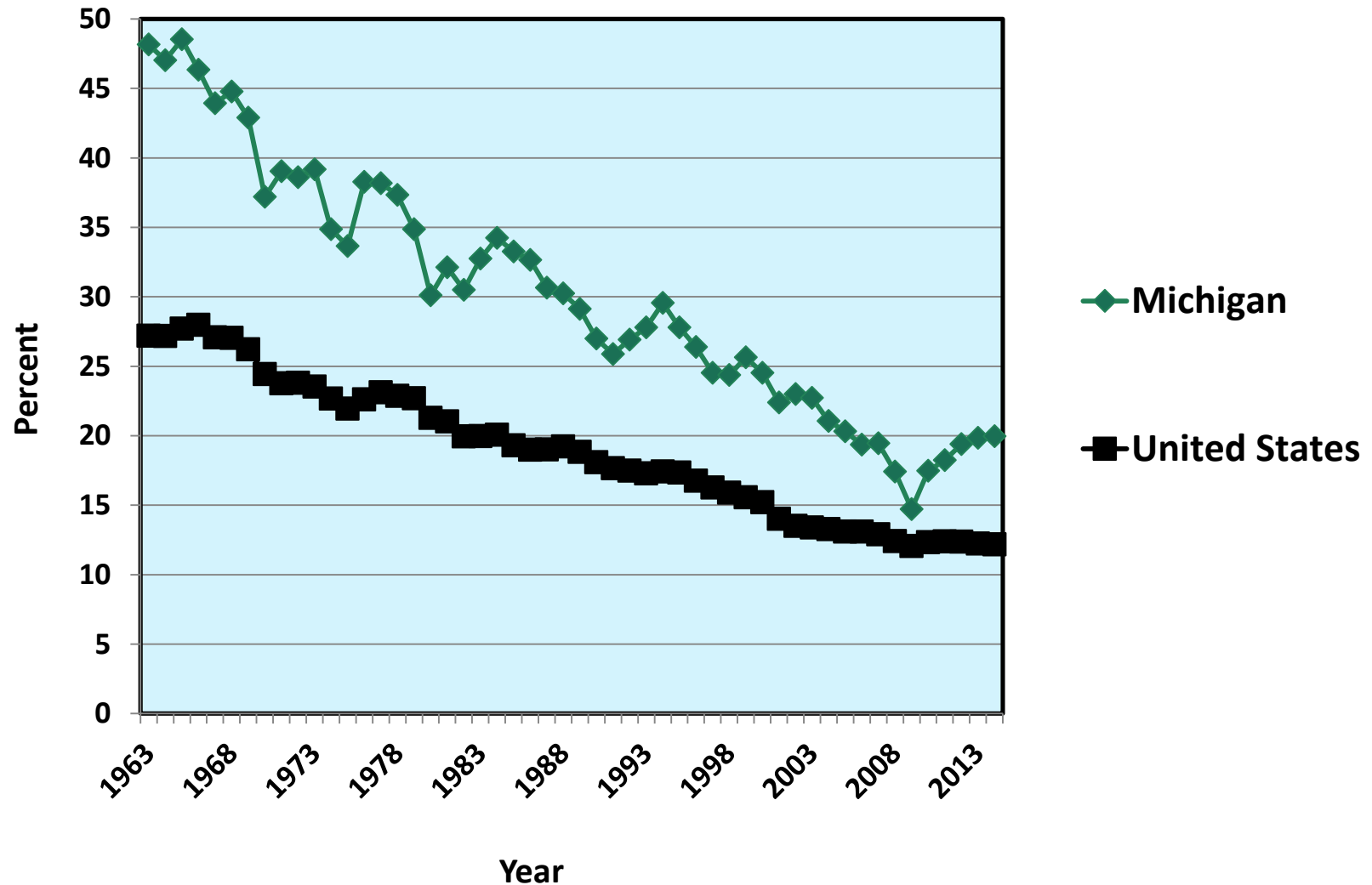
4. There is also wide variation in income levels across different regions in Michigan.

Per-Capita Personal Income, 2014

1. Oakland County	\$59,759
2. Leelanau County	\$48,971
3. Washtenaw County	\$48,365
4. Livingston County	\$46, 829
5. Kent County	\$46,610
6. Midland County	\$46,151
<i>U.S. Average</i>	<i>\$46,049</i>
12. Kalamazoo County	\$41,182
<i>Michigan Average</i>	<i>\$40,740</i>
14. Macomb County	\$39,886
16. Ottawa County	\$39,330
25. Wayne County	\$36,844
31. Ingham County	\$35,888
37. Genesee County	\$34,878
83. Luce County	\$27,582

5. Manufacturing's share of the economy has shrunk dramatically.

**Manufacturing as a Percent of Gross Domestic Product,
In Michigan and the United States, 1963-2014**

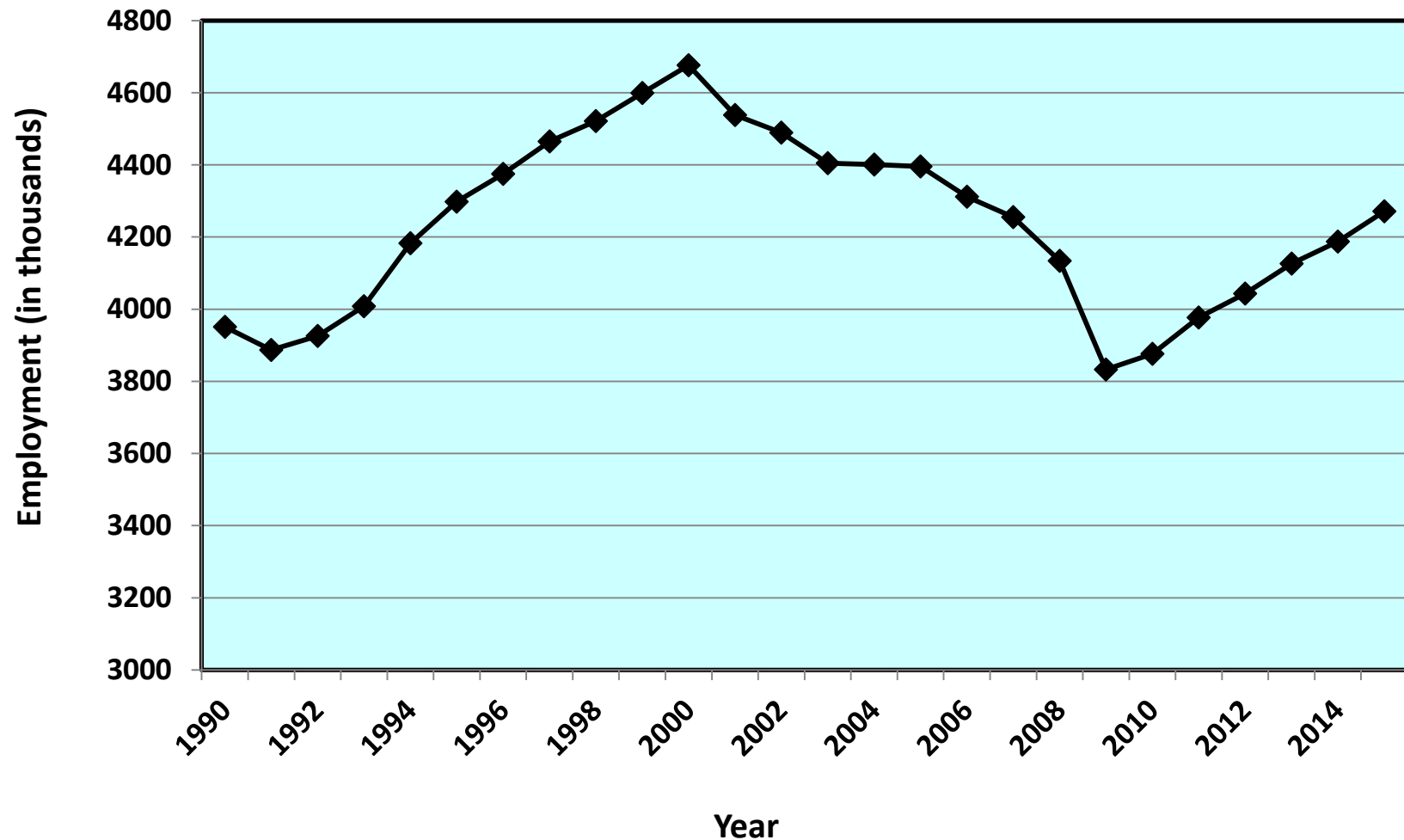


6. The employment situation in Michigan has plenty of good news and plenty of not-so-good news.

More Good News: Employment in Michigan has been growing for nearly six years.

More Not-so-Good News: Still, we are about 370,000 jobs below the all-time peak in 2000.

Michigan Employment, 1990-2015
(Data for September in each year)

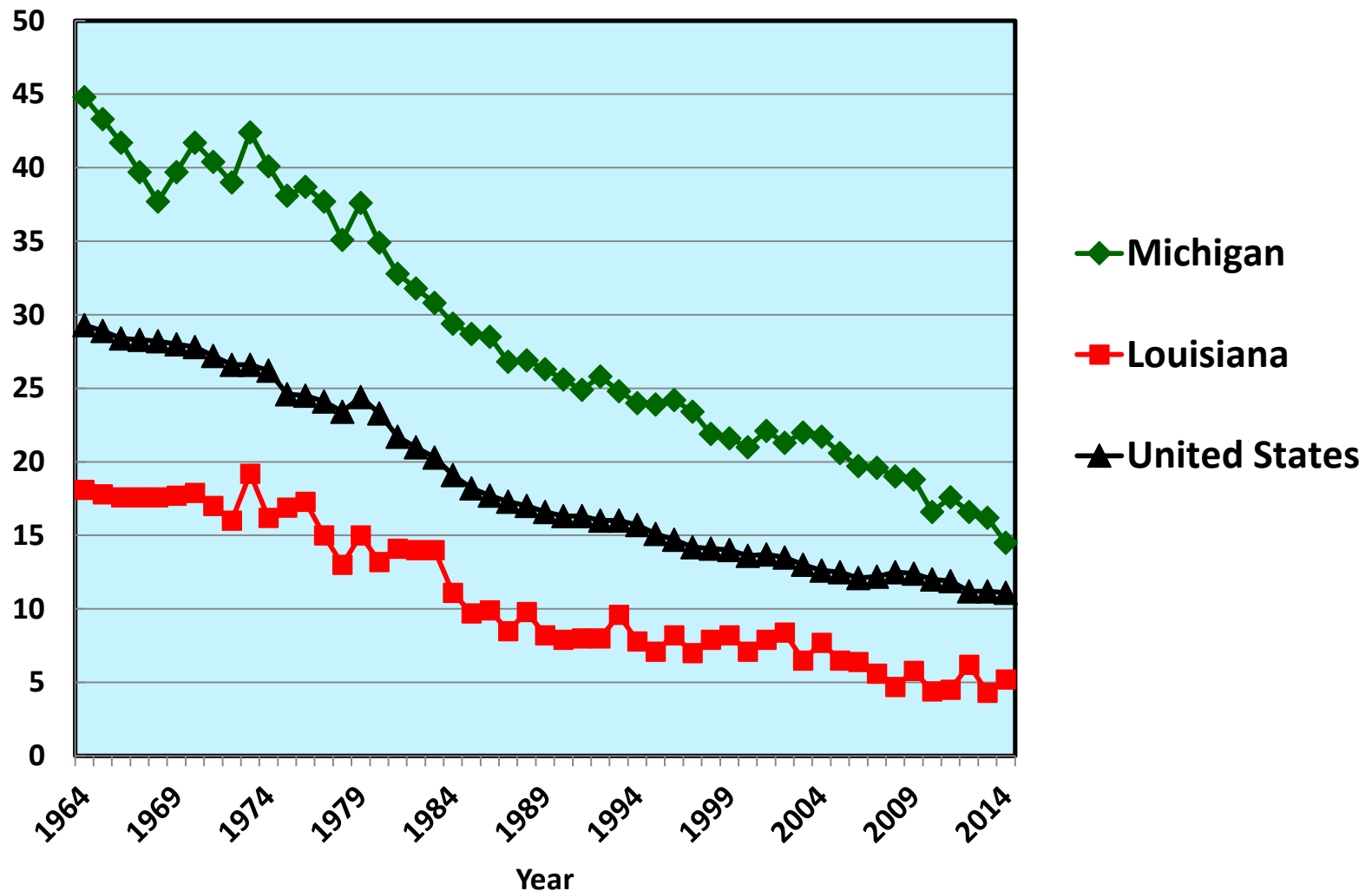


7. The Right-to-Work law is unlikely to do much to improve Michigan's situation.

For better or worse, unions had already lost a great deal of strength, long before December 11, 2012.

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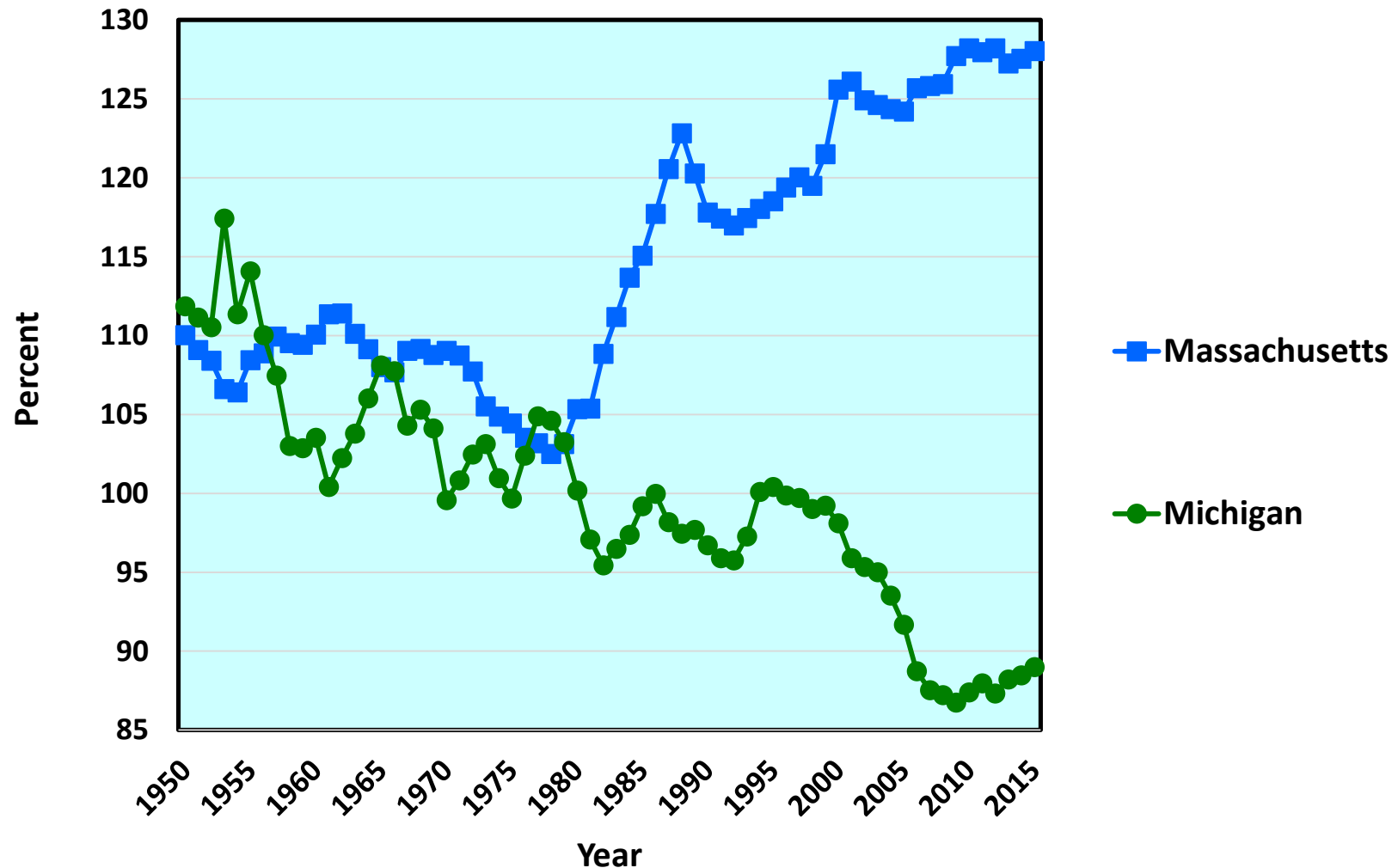
Union Members as a Percent of the Labor Force,
1964-2014



8. Many of the most successful states have high levels of educational attainment.

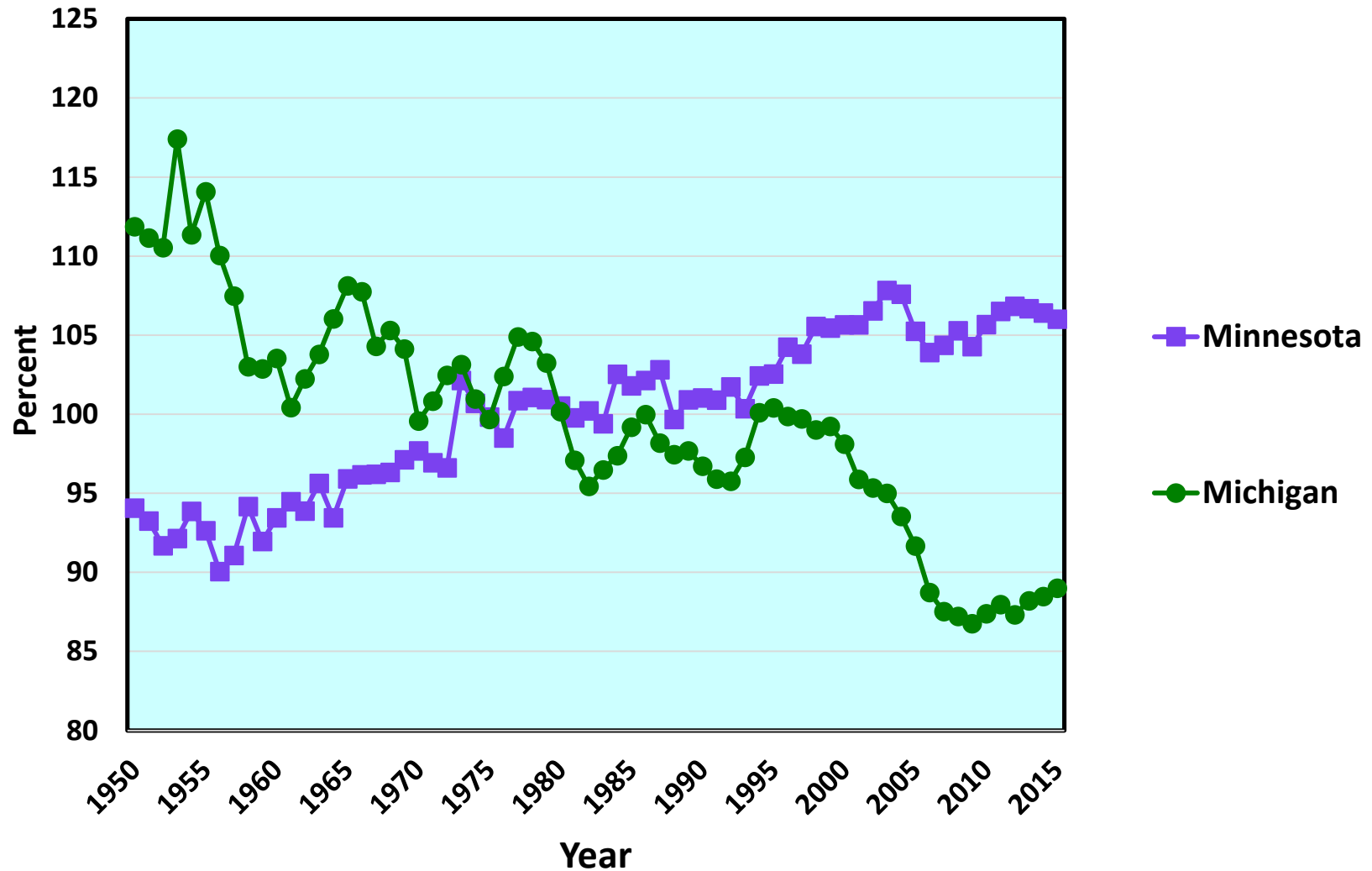
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Per-Capita Personal Income in Massachusetts and Michigan,
As Percent of the U.S. Average, 1950-2015



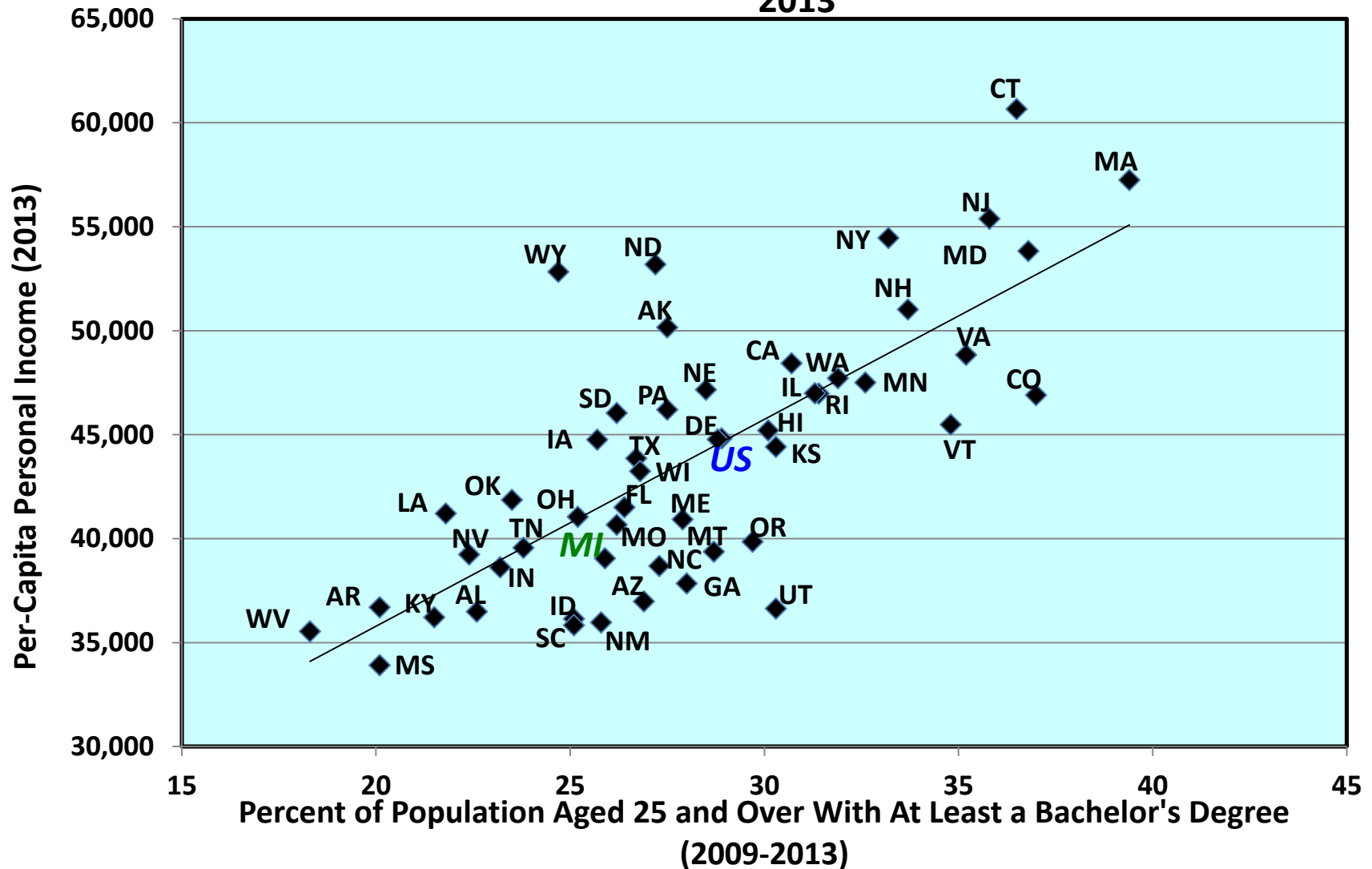
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Per-Capita Personal Income in Minnesota and Michigan,
As Percent of the U.S. Average, 1950-2015



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Per-Capita Personal Income and College Attainment, for the 50 States, 2013



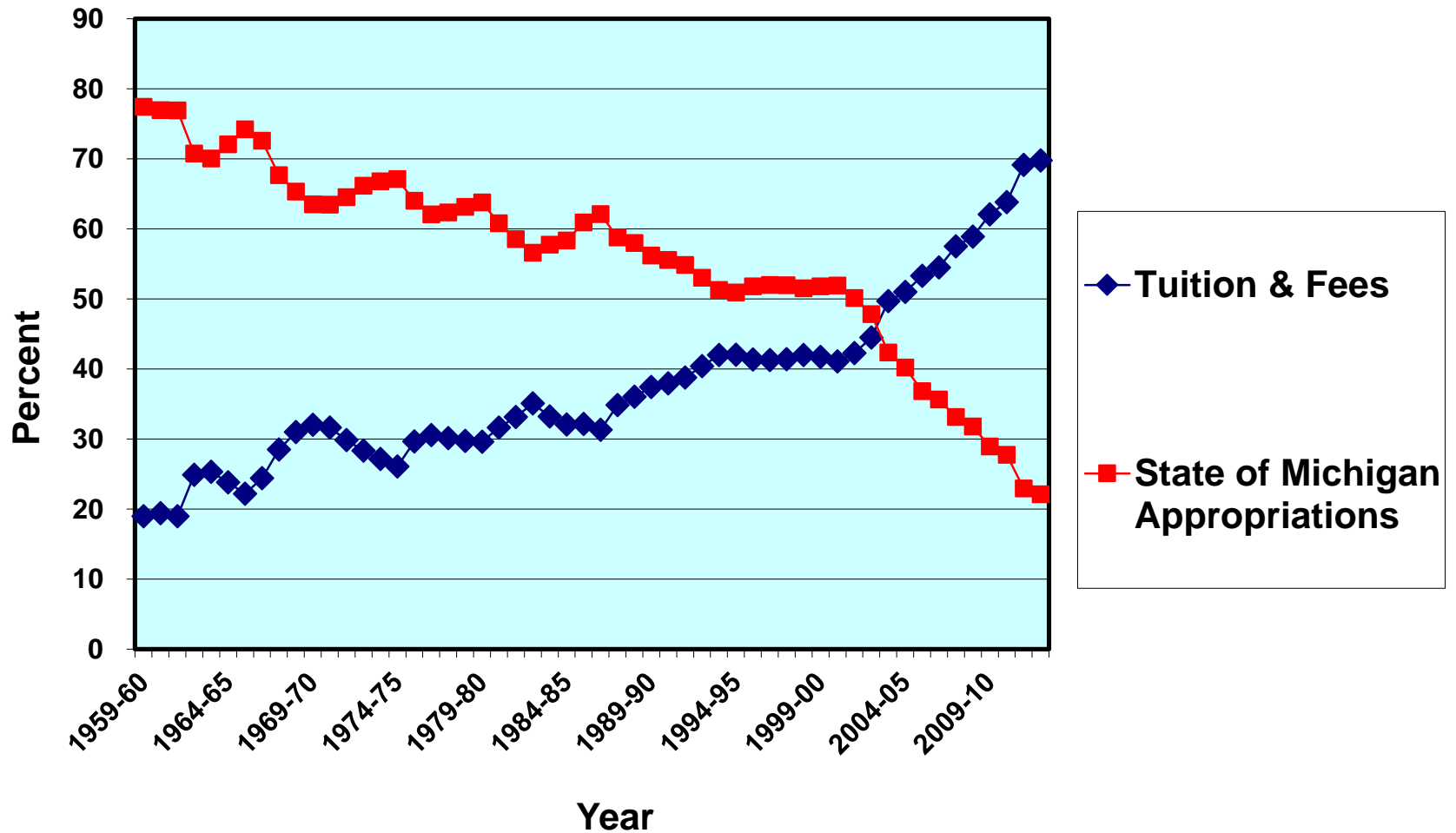
This slide is brought to you by the letter “M”:

<u>State</u>	<u>College- Attainment Rank 2009-13</u>	<u>Income Rank 2013</u>
Massachusetts	1	2
Minnesota	10	13
Michigan	34	37
Mississippi	49	50

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

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Sources of Funds for Michigan State University,
1959-60 to 2012-13



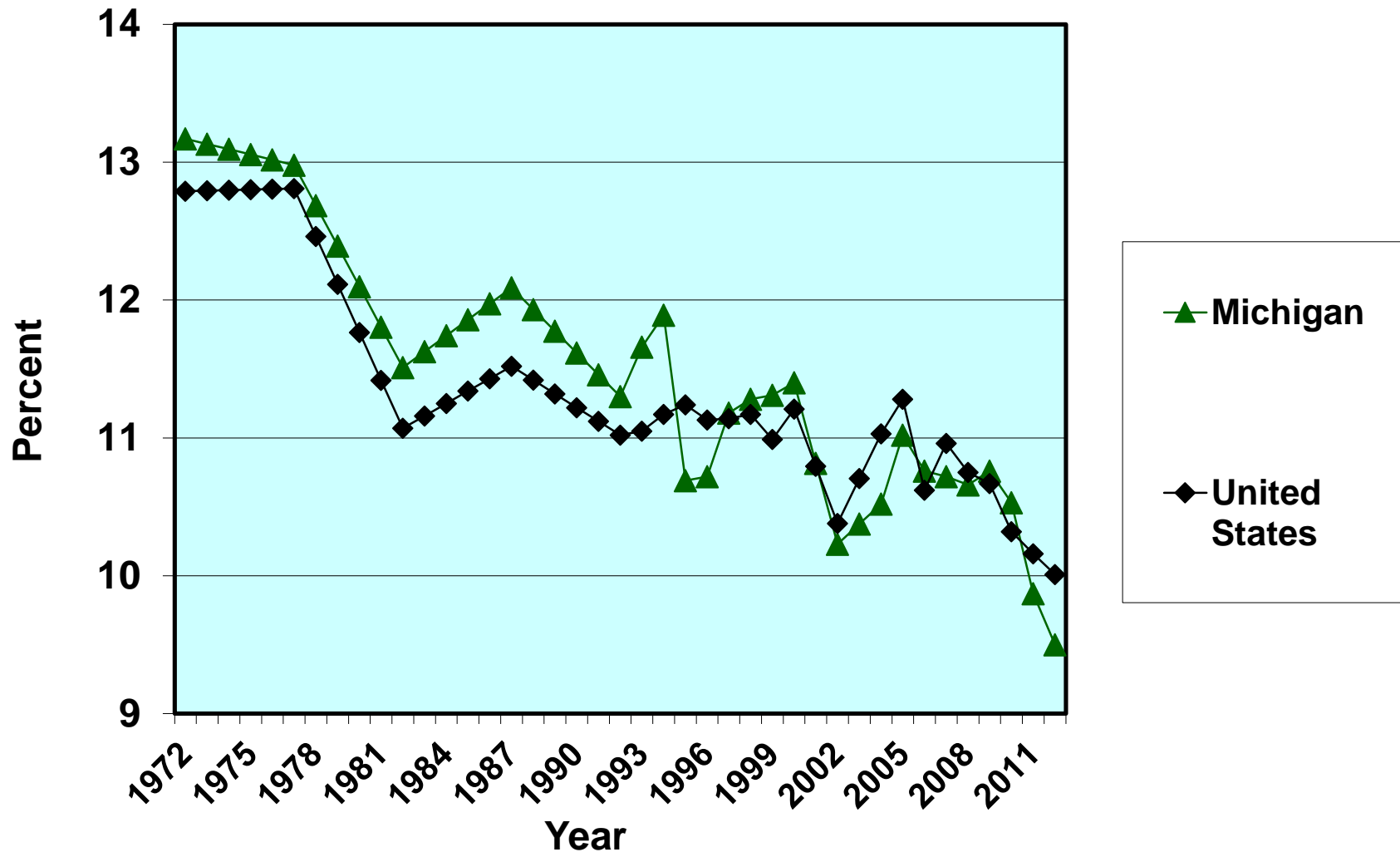
In order to be equivalent to the real budget reductions of a nine-year period, we would have to cease state support for:

**Central Michigan University,
Eastern Michigan University,
Ferris State University,
Grand Valley State University,
Lake Superior State University,
Michigan Technological University,
Northern Michigan University,
Oakland University,
Saginaw Valley State University,
University of Michigan - Dearborn,
University of Michigan - Flint, and
Western Michigan University.**

- **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.**
- **I would have a K-12 school year of 200 days, and vigorous apprenticeship programs.**

9. Tax effort has reduced substantially.

**State and Local Taxes as Percent of Personal Income,
Michigan and the United States, 1972-2012**



**I believe that Michigan's
obsession with tax
reduction is a colossal
failure.**

The most critical policy priority for Michigan should be to find enough tax revenue, so we can pave our roads, fix our bridges, avoid another Flint water crisis, support our cities, and educate our children.

Possible sources of revenue:

1. Establish a graduated income tax (or raise the rate of the existing flat-rate income tax).

2. Extend the sales tax to services and entertainments.

3. Raise the taxes on gasoline, alcoholic beverages, and tobacco products, and convert the alcohol and tobacco taxes to an *ad-valorem* basis.

4. Relax the taxable-value cap in the property tax.

Of course, today's legislature won't do any of these things. More fundamental reforms include

- An independent, non-partisan commission to draw legislative district lines.**
- Relaxation of term limits.**

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.**