

Michigan's Economic Transformation

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Michigan's Unemployment Rate Is Highest in the U.S., But Other States Have Also Suffered in the Recession

	<u>Dec. 2007</u>	<u>April 2009</u>
• North Dakota	3.1%	4.0%
• Texas	4.4%	6.7%
• New York	4.6%	7.7%
• <i>U.S. Average</i>	4.9%	8.9%
• Illinois	5.6%	9.4%
• Florida	4.8%	9.6%
• Ohio	5.8%	10.2%
• California	5.9%	11.0%
• <i>Michigan</i>	7.3%	12.9%

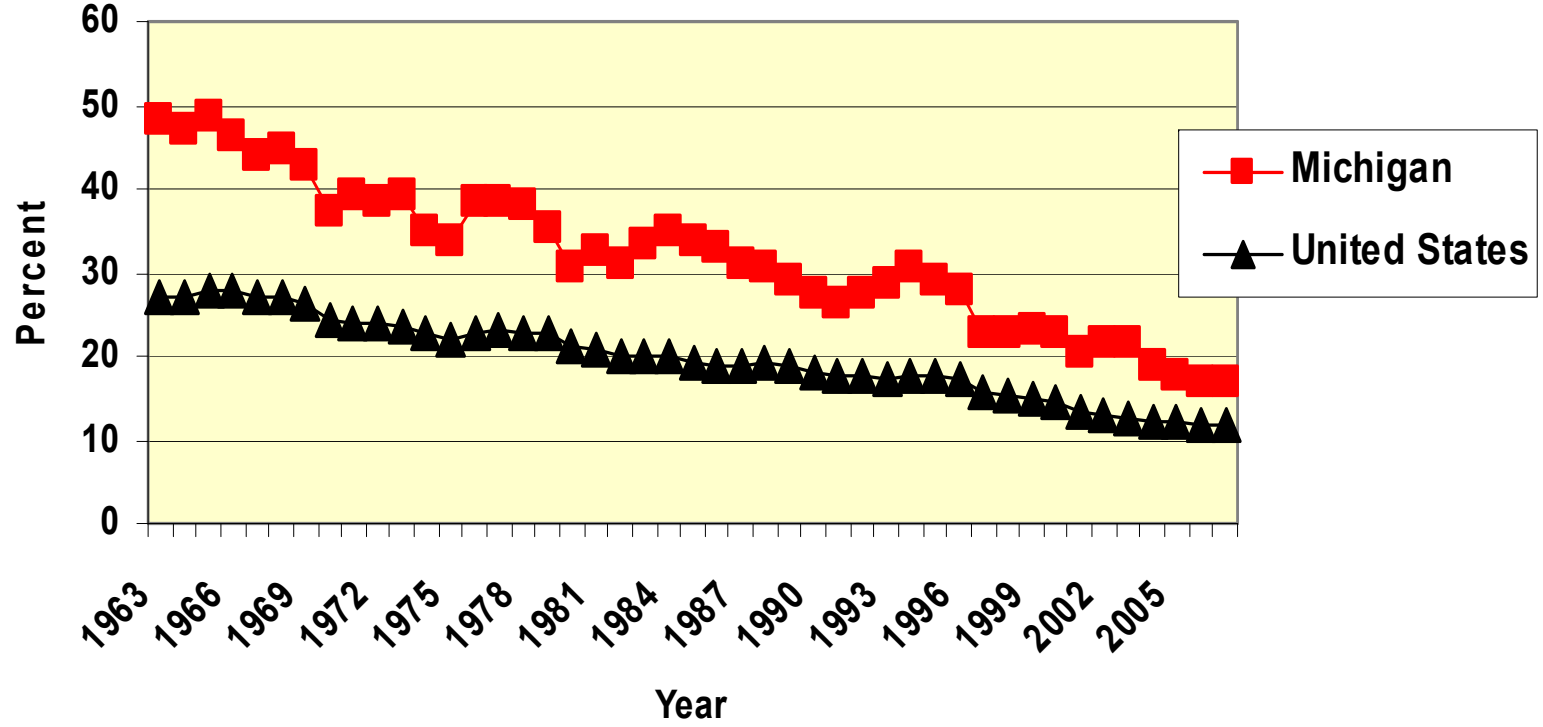
Employment Losses During Michigan's Structural Transformation

June 2000 – December 2000:	29,000
2001:	171,700
2002:	20,900
2003:	64,100
2004:	4,300
2005:	28,800
2006:	79,700
2007:	50,900
2008:	203,900
January - April 2009:	137,300

Total for the Period: 790,600 = 16.9%

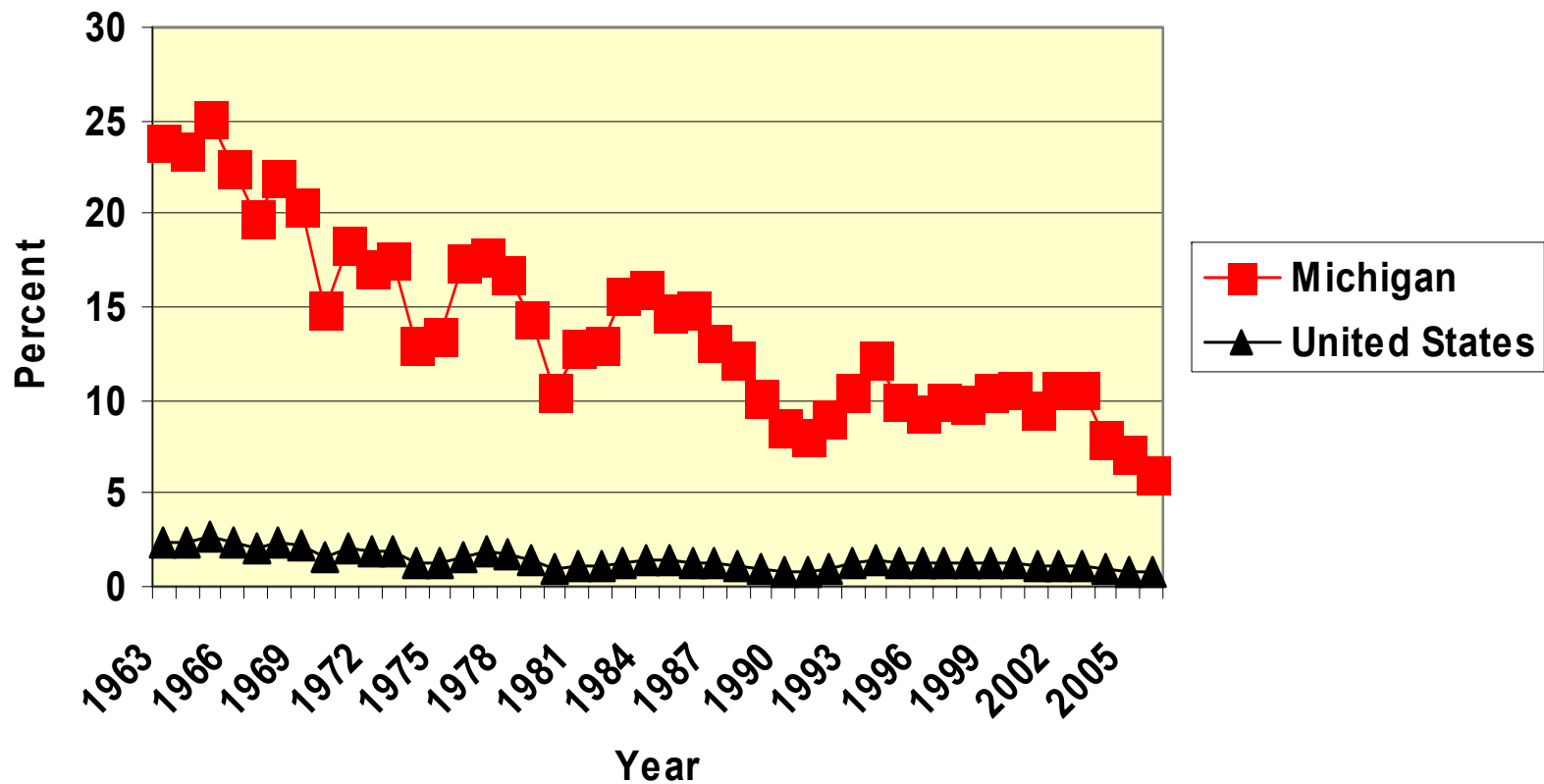
Manufacturing's Share of the Economy Has Shrunk Dramatically

Manufacturing as Percent of Gross Domestic Product, For Michigan and for the United States, 1963-2007

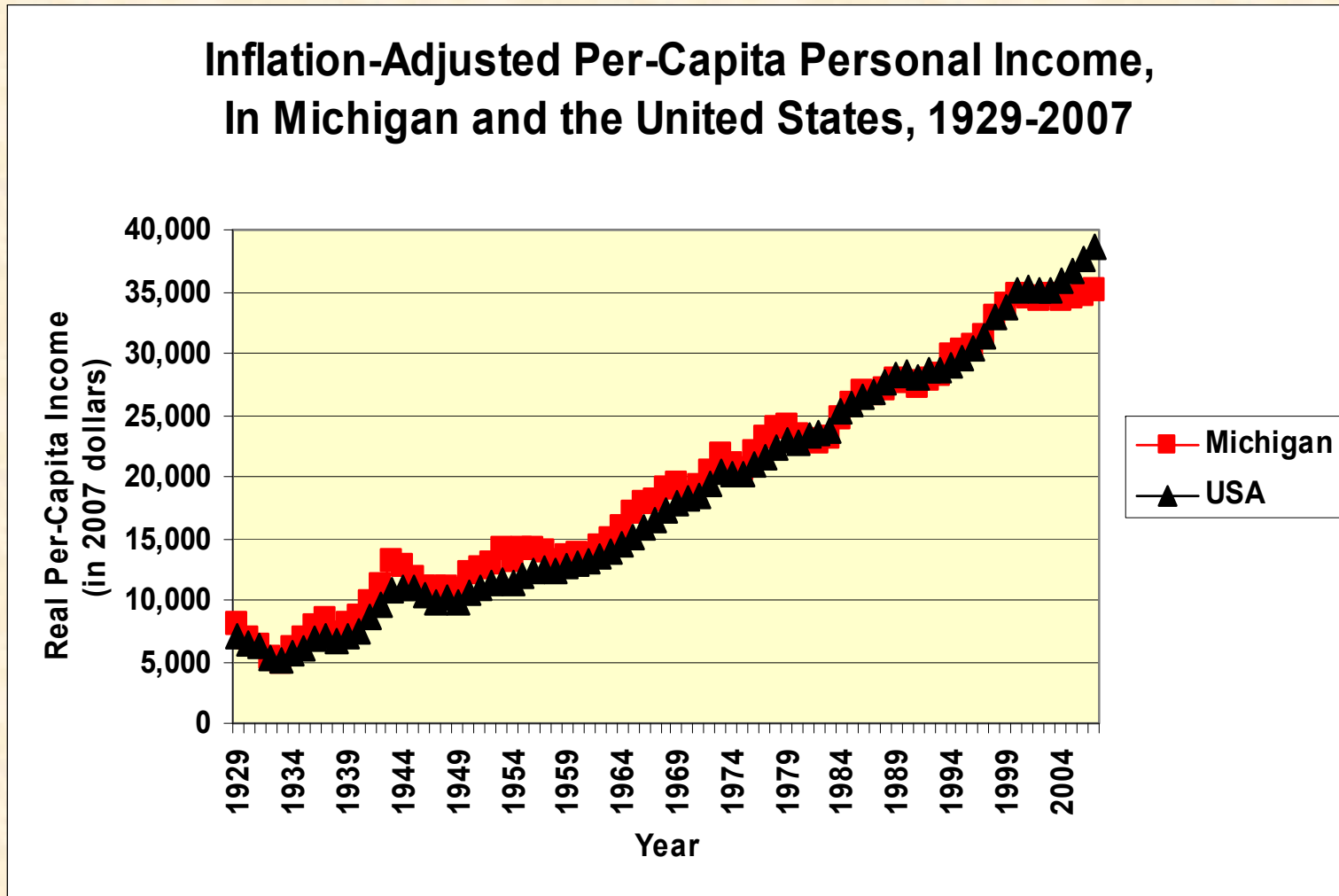


Most of Michigan's Manufacturing Losses Are in the Auto Industry

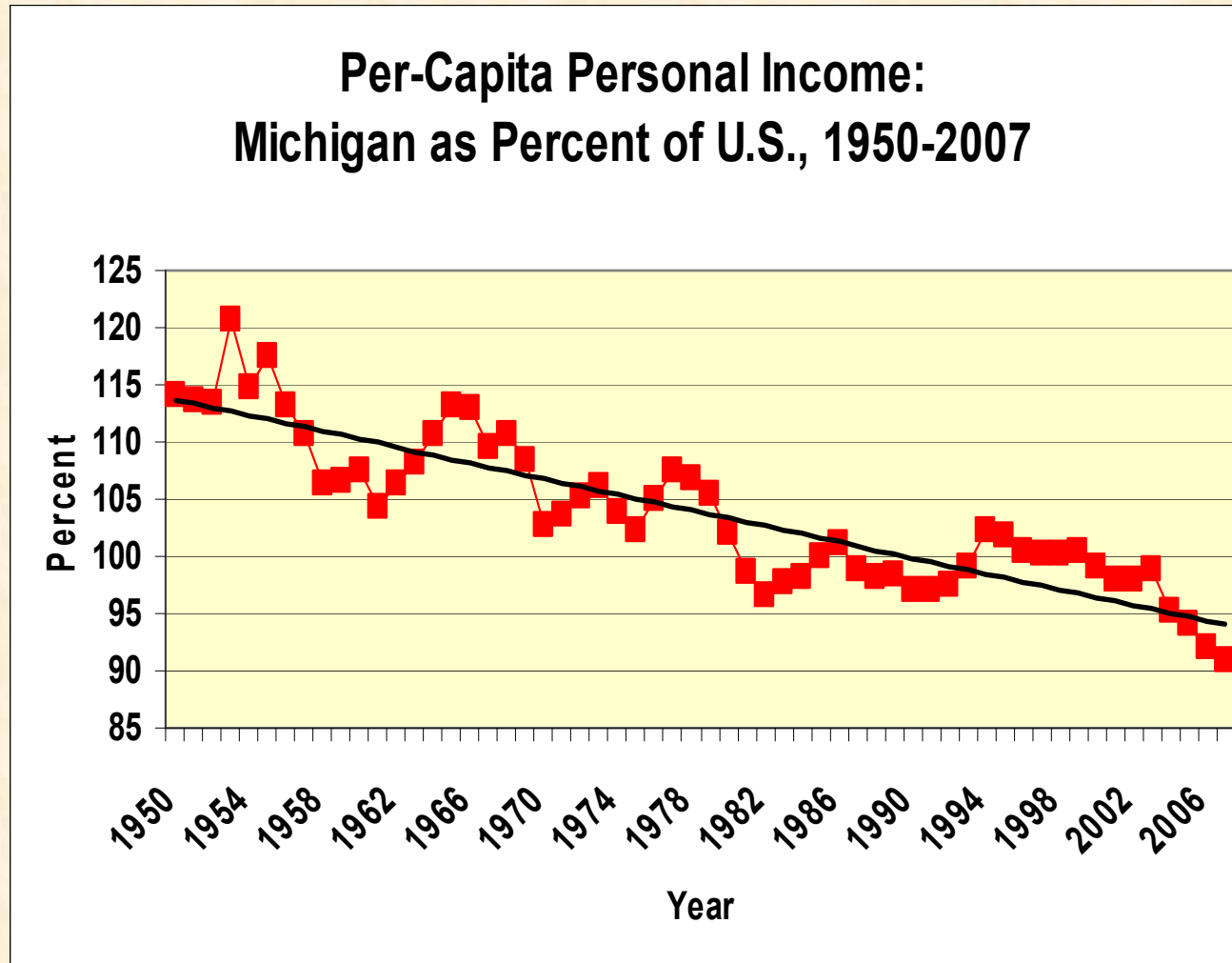
Motor Vehicles as Percent of Gross Domestic Product,
For Michigan and for the United States, 1963-2006



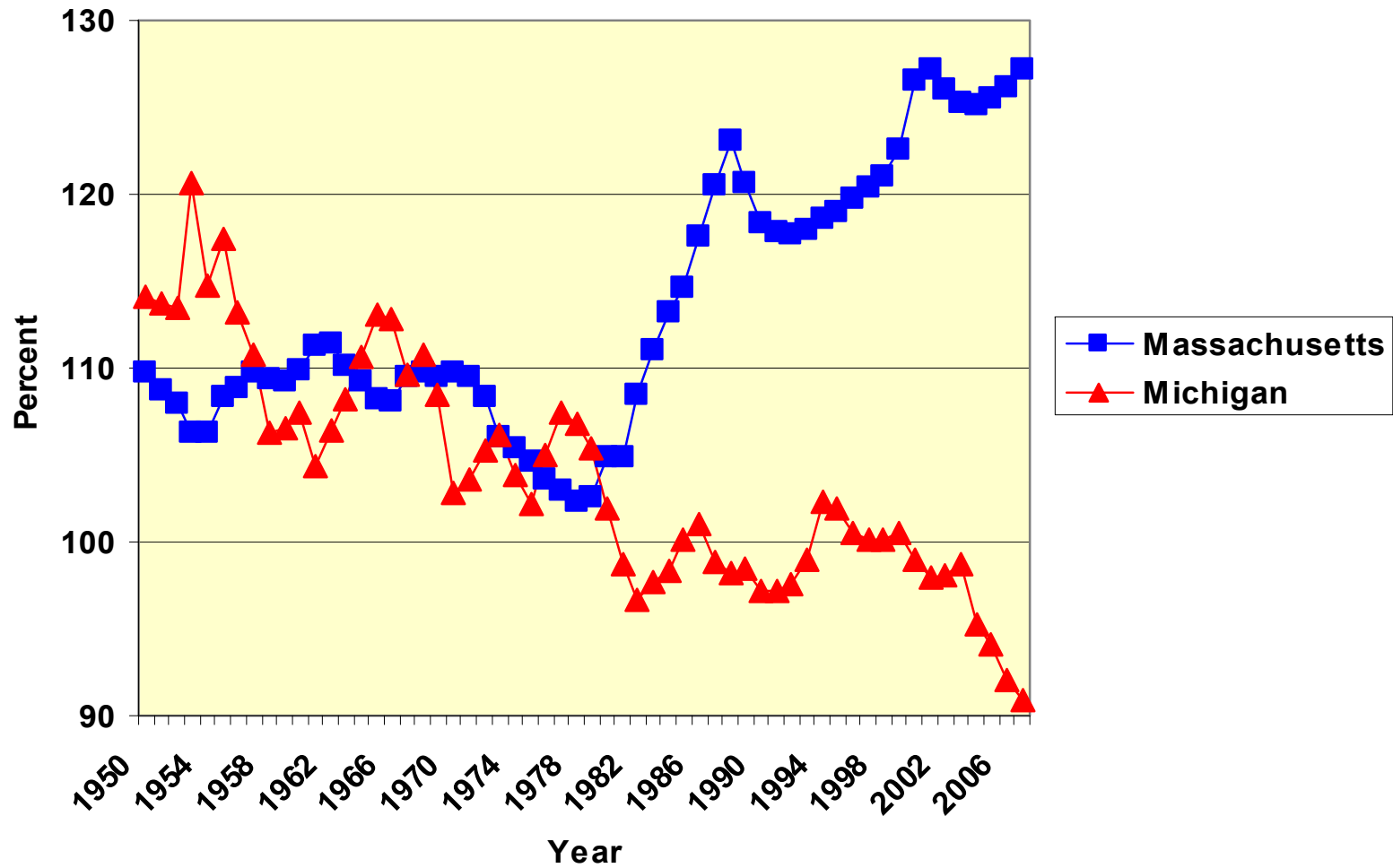
Incomes Really Have Grown, In Michigan and in the Rest of the U.S.



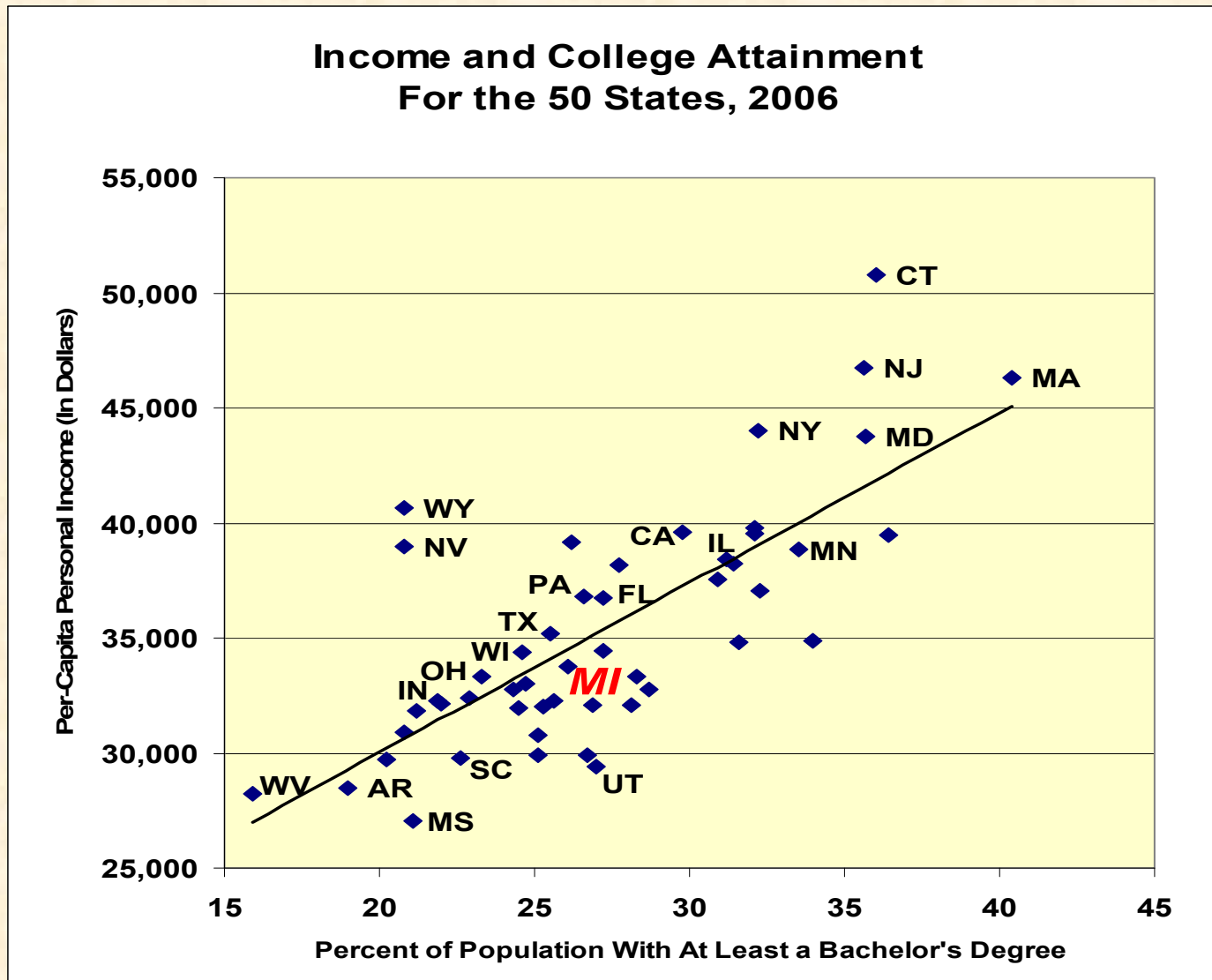
But Income Growth Has Been Slower in Michigan Than the U.S. Average



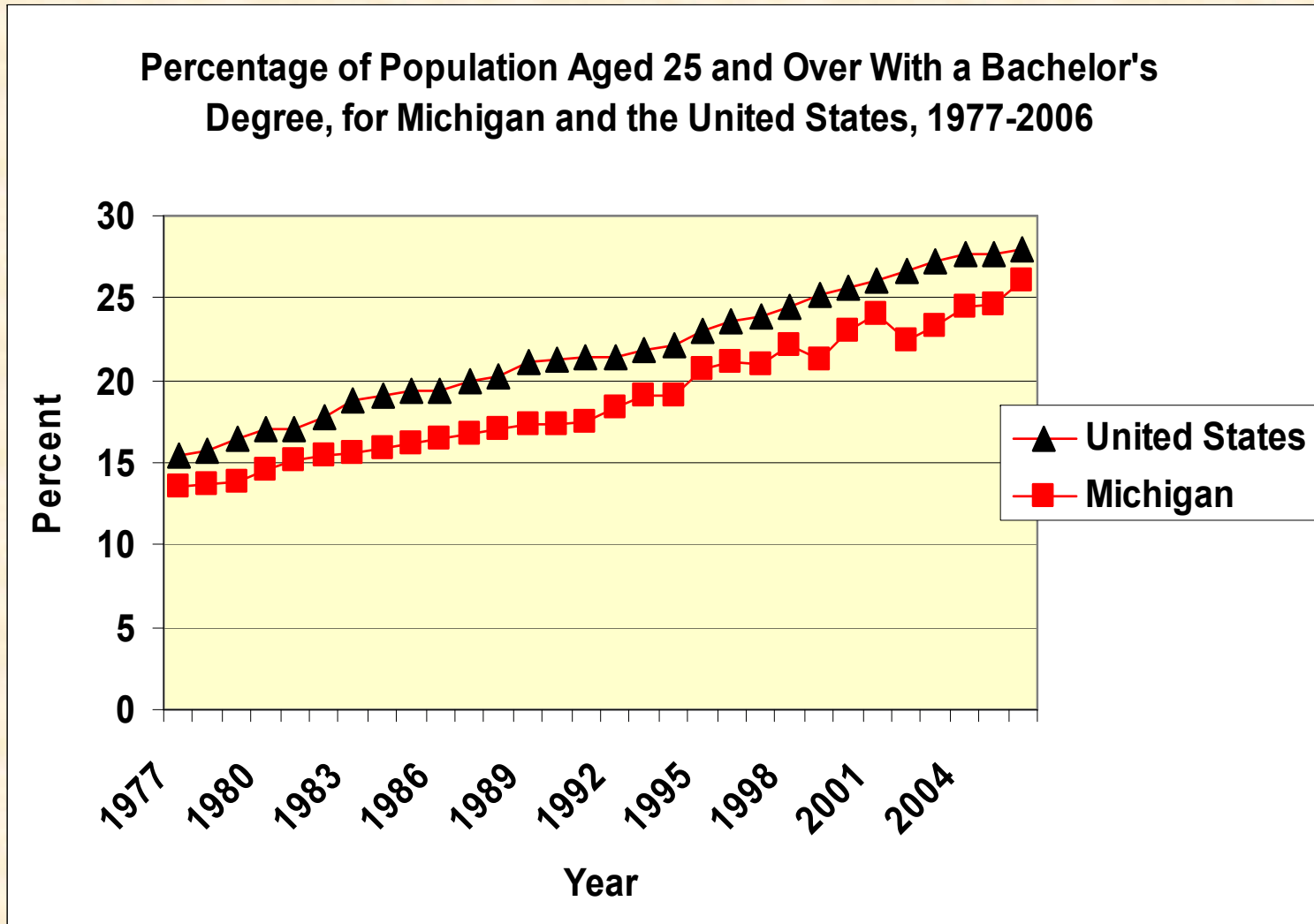
Per-Capita Personal Income in Massachusetts and Michigan As Percent of U.S., 1950-2007



College Attainment Has a Decisive Influence on Per-Capita Income



But Michigan Lags in College Attainment



- **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.**

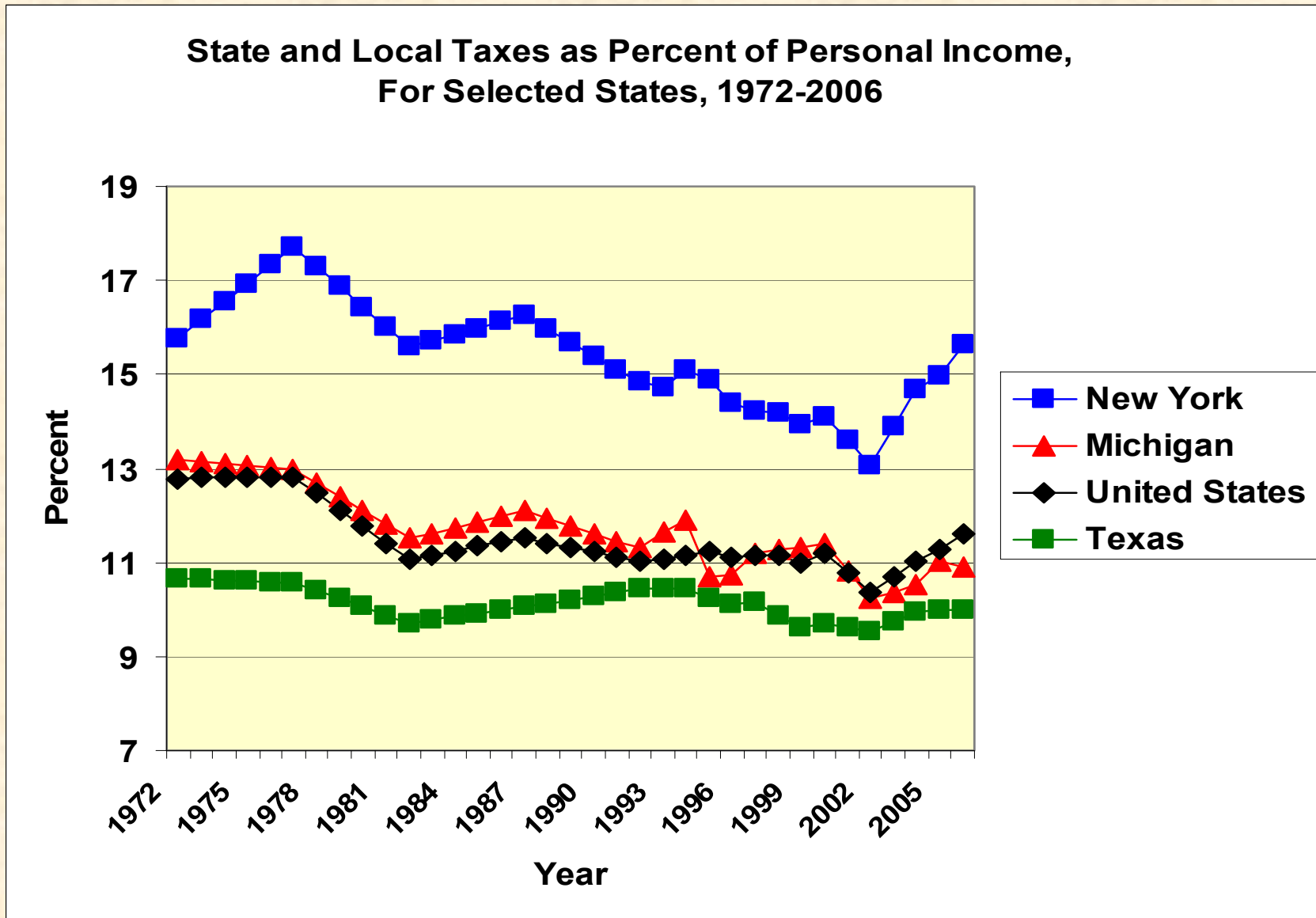
There Are Bright Spots, And Potential Bright Spots

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

State and Local Taxes As Percent of Personal Income:

- **Michigan Remains Quite Close to the National Average**
- **National Average Has Fallen Substantially**

Tax Effort Has Reduced Substantially



Our Responses to Declining Tax Revenues Have Been Questionable

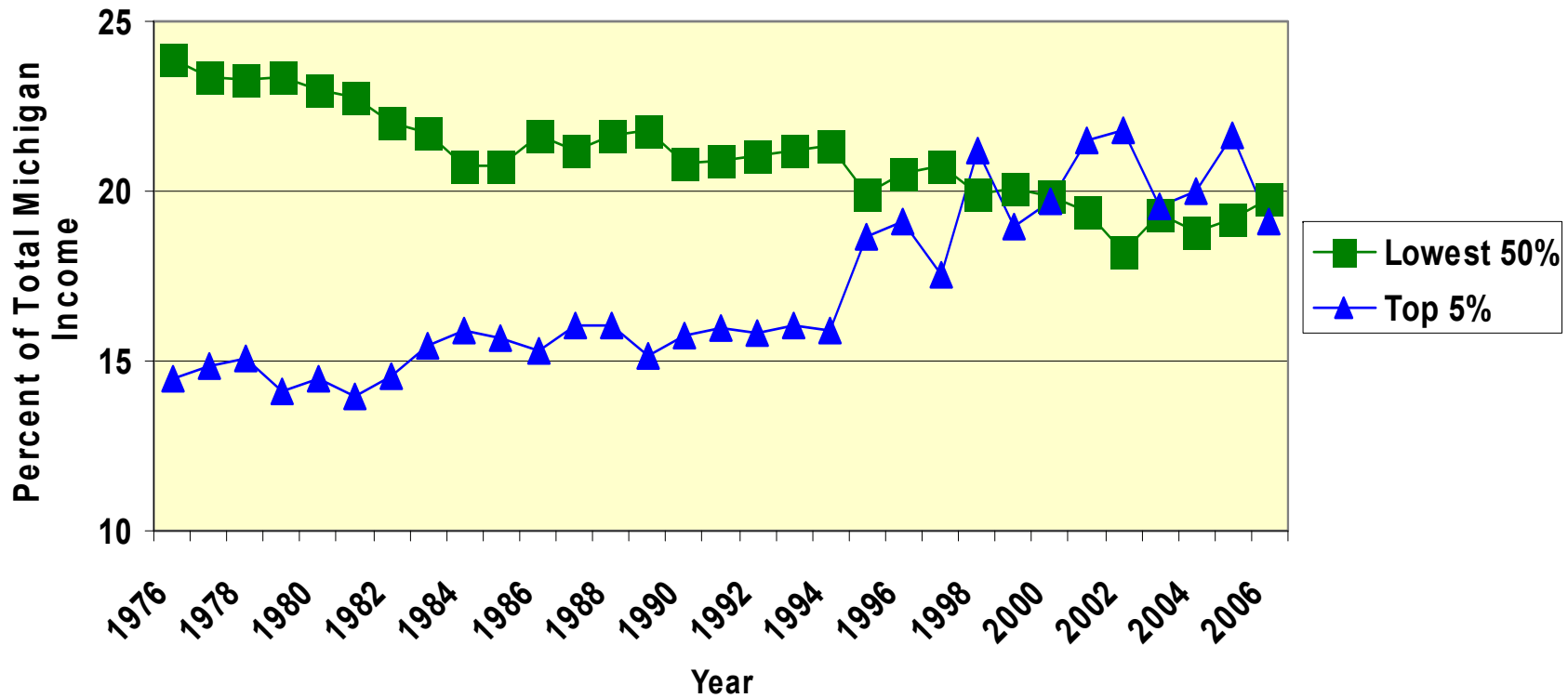
- **Spending Cuts in Education and Revenue Sharing (But Few in Corrections).**
- **One-Time Gimmicks.**
- **Using Up and Selling Assets.**

If we were to eliminate the Michigan Business Tax, and introduce a graduated income tax, we would:

- **Increase the overall progressivity of Michigan's tax system.**
- **Simplify our tax system, by eliminating a tax that creates administrative and compliance headaches.**
- **Increase the amount of taxes exported to other states, through federal deductibility.**

Income Inequality Has Soared in Michigan

Shares of Total Michigan Income Received by Different Groups of Households, 1976-2006



A Tax-Reform Package for Michigan

- **Establish a Graduated Income Tax**
- **Extend the Sales Tax to Services**
- **Reduce or Eliminate the MBT**
- **Reduce the Tax Preference for Retirement Income**
- **Return the Excise Taxes on Beer and Wine to Earlier Levels,
and Convert Them to a Percentage Basis**
- **Close Loopholes**

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.**