Think tank's advice to state: Hold wages down

By Tim Richard
staff writer

Michigan businesses and unions will have to hold down wage increases, and state government must think in terms of "investing' in economic development rather than "consuming" on welfare, according to a think tank hired by the state Senate.

Metropolitan Detroit could reverse its downward slide in both city and suburbs by forward-looking planning, said the Hudson Institute, an Indianapolis-based research firm hired by Senate Majority Leader John Engler, R-Mt. Pleasant.

"We want to get the debate off who's responsible for what was, and onto where are we going." Engler said in a news conference at which he unveiled the report called "Michigan Beyond 2000." The Senate put up $280,000 of the $450,000 cost.

ENGLER AND Hudson Institute President Tom Bell denied that the report, already the target of Democratic criticism, would be used to maul Democratic Gov. James Blanchard in the 1986 election.

"The 'Comeback State' — that's yesterday," said Bell referring to Blanchard's current slogan. "The question here is what kind of state we'll live in tomorrow. This report is not critical of the present administration.

"A cooperative attitude is the message we want to leave," he said.

The Hudson Institute report concentrated its suggestions in four areas: making industry here more cost-competitive compared to other states, delivering government services more efficiently, attracting college-educated professionals and retirees here, and adopting strategies toward entire metropolitan areas rather than just cities.

Reporters Monday aimed questions at the institute's wage suggestions and the future of Detroit.

THE AUTO industry's high wages, which set a pattern for much of the state, were seen as "the single most significant cost disadvantage . . . (and) there is evidence that the disparity is growing.

"In 1969 the Michigan average manufacturing wage was 124 percent of the U.S. average. By 1979 the ratio had grown to 130 percent."

Asked if it meant Michigan workers should accept a "declining standard of living," senior research fellow Bill Johnston replied no: "There needs to be a gradual return to national standards, over 20 years. Wages should rise less rapidly here than elsewhere. It needs to be a negotiated agreement. It can't be sudden."

The state can help, Bell and Johnston said, by reducing workers compensation, unemployment insurance and business tax costs.

STATE GOVERNMENT was urged to target more dollars toward "investment" in human and physical resources — education (particularly in engineering and technologies), highways and economic development.

And it was told to halt the shifting of state funds to welfare:

"In the welfare-spending area, two recent developments stand out.

• "Despite economic recovery, Michigan's combined ADC (aid to families with dependent children) and general assistance caseload is half again its size in 1979.

• "Despite economic uncertainty, the state recently chose to add adult dental coverage to its medicaid program . . . in harmony with Michigan's political liberalism . . . In another state, this silver lining might have been used to free up state funds for other purposes."

WHILE SAYING Detroit has "redevelopment potential," the Hudson Institute further decay in the "near future," extending beyond city limits into the nearby suburbs.

"Suggestions for reviving Detroit include:

• "Continue the riverfront development.

• "Eliminate ambivalence or hostility toward change.

• "Improve competitiveness with the suburbs for black businesses and black middle class.

• "Improve cordiality to white visitors, businesses, residents and financiers.

• "Do more with less — accept lower pay and fringe benefits in the short term with the long-term believe and commitment to making Detroit the 'Capital of Black America.' "