

# Will Michigan's new leaders have skill to grow economy?

Starting next January, we'll have a whole new leadership team in Michigan. A new set of executive officers — governor, lieutenant governor, secretary of state, maybe attorney general — and a mostly new legislature in both houses, coupled with a possible change in partisan control of at least one.

That new team is going to have to figure out how to govern the state amid very great budgetary stress — best guess is there is already a built-in imbalance of nearly \$1 billion. And they'll face considerable political uncertainty — term limits will have eliminated most experienced lawmakers and the new executive officers will be uncertain how to go about their jobs.

Among the happy things they'll have to deal with is Michigan's remarkably improved business climate. Remember the early 1990s? Michigan was the very definition of a Rust Belt state, with more than 19 percent unemployment and only 4 million (very nervous) jobs. In the year 2000, we boasted a jobless rate of less than 4 percent and a growing economy of 5 million jobs.

That's a terrific record. Gov. John Engler and the Michigan Economic Development Corporation (not to mention a booming national economy) deserve lots of credit for managing such an impressive turnaround.

The big question is what our new leaders are going to do starting next January. Will they keep hammering away at improving the economic climate or will they take the easy way out and let Michigan fall back again?

At a minimum, the policy agenda will have been set out. At the Michigan Competitiveness Conference, sponsored last week in Lansing by the MEDC, a new study by Stanford Research Institute showed that Michigan ranked No. 9 among the 50 states and No. 2 among Midwestern states as a good place to do business. I attended; it was an eye-opening day.

We ranked especially well in our quality of life (No. 4 in the nation), based on "low living costs, good education system, clean air and first-rate nature and recreation assets." We came in No. 7 in what SRI calls "innovation resources," the compound result of world-class universities and technology base. Our infrastructure came in No. 22, the middle of the pack, the new terminal at Metro Airport balancing out deficits in roads and Internet and broadband connections.

Michigan rated worst (No. 42) on business

costs, mainly because of high taxes on business. According to MEDC President Doug Rothwell, even though the Single Business Tax has been cut by one third since 1990, it's still twice as high as the next-highest state that we benchmark ourselves against.

Rothwell argues that instead of gloating about how Michigan fared against the rest of the nation, we should compare ourselves against the 17 states that are our primary competitors for new business investment and high technology. Eight of these ranked above Michigan in the SRI study — Colorado, Texas, Minnesota, Virginia, California, Georgia, Massachusetts and Washington, in order — while our neighbor rivals, Ohio and Illinois, were just behind. So there's plenty of work to do.

The Single Business Tax is a real problem. No other state has a unified business tax structure like it, so it stands out like a sore thumb in the comparison.

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Most states tax businesses on their profit plus some other factors, while the Michigan unified SBT taxes a combination of employment and experience, the SBT is very complex to calculate.

Among the 300-odd people attending the conference, most felt the SBT needed at minimum an overhaul to include at least some component of business profit. As I remember it, the SBT was written in literally the dead of night in 1975, largely by lobbyists for the automobile industry, General Motors in particular. Virtually none of the lawmakers who voted to adopt the next morning understood the tax; most had not even read the complex legislation.

The conference discussed a large range of suggestions coming from six breakout groups.

If there was consensus, it was that our economic development competitive strategy for the future should be to try to get our business tax and cost climate at about the national average, fix our roads and extend our broadband connections and let our other advantages play out undiminished.

The real question is whether our new leaders have the foresight, guts and skill to do so.

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Hugh Gallagher

# Great Lakes make Michigan a treasure and responsibility

Astronauts in space can see its bold outline on cloudless days. Two peninsulas surrounded by deep blue water. The northern peninsula jagged and elongated, stretching toward Canada. The southern peninsula, a wonder of nature or a cosmic joke, the very image of a mitten formed eons ago by glaciers.

Our Michigan is a special place, a place defined by the Great Lakes that surround it.

When the state sought suggestions for the Michigan quarter it was inevitable that the design would highlight the two peninsulas and the lakes around it. Yes, the automobile has been important to the state's economy and the reason for its growth. But it becomes clearer every day that Michigan's great treasure, and its great responsibility, is the Great Lakes and its inland lakes and rivers. In a world parched for water, Michigan is uniquely blessed.

May 18-27 has been designated Michigan Week, a time to reflect on the special qualities of this state and its people.

Those of us who live in Southeast Michigan often see the state as two very distinct realities. One is the engine that drives the state's economy, a cliché that has a literal resonance in this place that put the world on wheels. This Michigan is an industrial behemoth, auto capital of the world. It is also an emerging high-tech center and a life sciences corridor. It is a place of cultural institutions, great centers of learning and an urban center troubled with economic and racial strife that often seems never-ending.

The other Michigan is a land of woods and water, a "wonderland." Going "up North" is a ritual part of life for residents of Southeast Michigan. Whether it's boating on the Great Lakes, walking the beaches along Lake Michigan, hiking the hardwood forests, fly-fishing in numerous streams and rivers, bicycling along scenic shores or through deep woods, or stalking deer in November chill — the other Michigan is an easy escape for some. For downstaters this is paradise.

The reality is more complex. Northern Michigan has its own problems. Its economy once based on mining, timber and fishing, is now dependent on tourism. Many of the full-time residents live at or near the poverty level.

Yet the region is still rich in natural resources. There is and will continue to be a tension between the two interests.

There is also a tension between those who wish

to enjoy Northern Michigan for its simple pleasures and those who see the Great North as a Disney-style theme park. Petoskey's Bay Harbor and the proliferation of Indian casinos could be a frightening vision of things to come.

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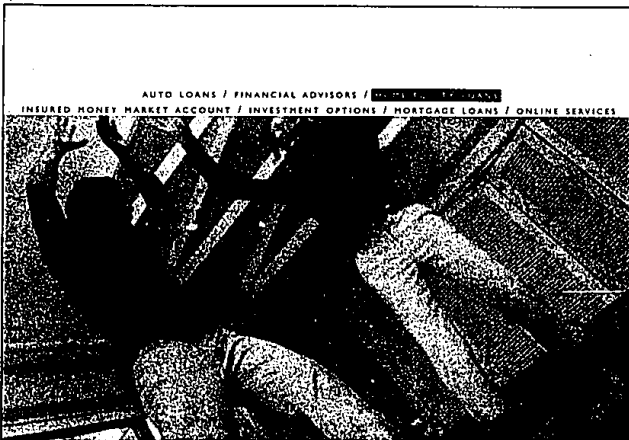
Gov. Engler had to back away from directional oil drilling along the lakes after an outcry from people who realize that if anything destroys the lakes or the shore, Michigan will lose its specialness. No amount of oil (and the prospects are small) could ever justify that loss.

We know that the demands on our state for water and other natural resources will be great in the years to come. We will need leaders with a firm resolve to harvest what we have intelligently and protect those assets that define who and what we are. Too often we have allowed short-term business interests to take precedence over long-term planning. Too often we have favored the few at the expense of the many.

We need to learn the limits of growth and development. Not all "progress" is good. Economic needs must be balanced by the needs of the environment. Property rights need to be balanced by public rights.

We have much to think about during this Michigan Week. Our two beautiful peninsulas demand that we be good stewards so that they continue to radiate as special places in the world.

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