



Everything Michigan



More talent -- not lower taxes -- will aid economy

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We all want a Michigan that once again offers lots of good paying jobs. But many middle class jobs of the past are now gone forever. How to replace them in the new global economy is the key economic challenge facing the state.

Since the adoption of Proposal A in 1994 Michigan has centered its economic development strategy on cutting taxes. It hasn't worked. And there is no evidence that it will!

Data from the Census Bureau shed light on the central question of "what really matters in better positioning Michigan to succeed in a knowledge-driven economy?"

There are four states (Alabama, Oklahoma, South Dakota and Tennessee) in the bottom 10 in both taxes per capita and as a percent of personal income. These are the lowest tax states in the country. But these states don't have successful economies: all four are below the nation average in per capita income.

In sharp contrast, the top four states (Colorado, Connecticut, Maryland and Massachusetts) in the proportion of adults with a four-year degree are all in the top 10 in the nation in per capita income.

All the way to Connecticut, which is nearly \$15,000 above Michigan and nearly \$18,000 above Alabama, the state with the lowest taxes in the nation.

These rankings raise the question: "Which group of states do we want to be like -- those with low taxes and low prosperity or those with high education attainment and high prosperity?" The answer is clear: Michigan should be a high prosperity state.

The bottom line: It's talent -- not low taxes -- that matters most.

The think tank I lead -- Michigan Future Inc. -- in its "A New Agenda for a New Michigan" report

(michiganfuture.org) concludes that what most distinguishes successful states from Michigan is their concentrations of talent -- defined as a combination of knowledge, creativity and entrepreneurship. Quite simply, in a knowledge-driven and entrepreneurial economy, the places with the greatest concentration of talent win.

This is an area where Michigan is struggling. The Census Bureau ranks Michigan 34th on the proportion of adults 25 years and older with a four-year degree or more.

It's time for a new direction! Cutting taxes isn't the answer. We need a new policy agenda that is centered on key public investments aimed at preparing, retaining and attracting talent.

The single most important thing policy makers can do for the future economic success of Michigan and its regions is to ensure the long-term success of a vibrant and agile higher education system. Our higher education institutions -- both universities and community colleges -- are the most important assets we have in developing the concentration of talent we need to be successful in a knowledge-based economy. This is particularly true of our major research universities.

We also need to start investing again in building regions that are attractive places to live, particularly for mobile talent. This means providing quality basic services, world class infrastructure and, maybe most importantly, creating vibrant central city neighborhoods to attract young talent.

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