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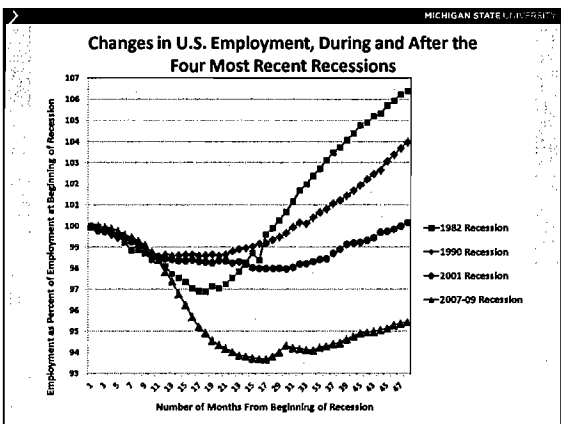
**Michigan's Economy:
Past, Present, and Future**

Presented to:
**Michigan Association of Administrators of
Special Education**
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**The recent recession is
BY FAR the worst since
the Great Depression, and
the recovery continues to be
long and slow.**



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- In the last two years, the U.S. private sector has added 3.1 million jobs.
- But public-sector employment has shrunk by 500,000.
- Layoffs of teachers and police officers have put a drag on the recovery from recession.

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- For the U.S. as a whole, Real Gross Domestic Product has grown by nearly 5% in the last two years, while employment has grown by only 2%.
- Nationally, employment is now at the same level as in the summer of 2000, but real GDP is 19% higher than it was then.
- Thus "growing the economy" is not the biggest challenge. The biggest challenge is to find a way to spread the benefits of economic growth more widely.

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Employment Losses During Michigan's Structural Transformation

April 2000 – December 2000:	27,700
2001:	172,700
2002:	22,200
2003:	65,100
2004:	1,500
2005:	27,500
2006:	80,400
2007:	49,700
2008:	196,800
2009:	216,500
Total for the Period:	860,100

= 18.3% of the jobs in Michigan at the beginning of the slide.

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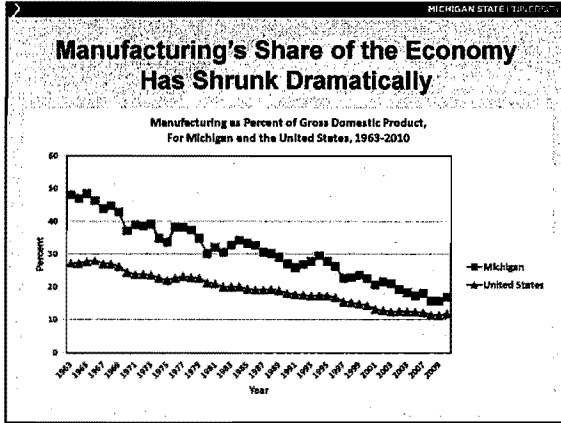
- **But employment in Michigan increased in both 2010 and 2011.**
- **Michigan employment is now up by about 100,000 from its low point at the end of 2009.**

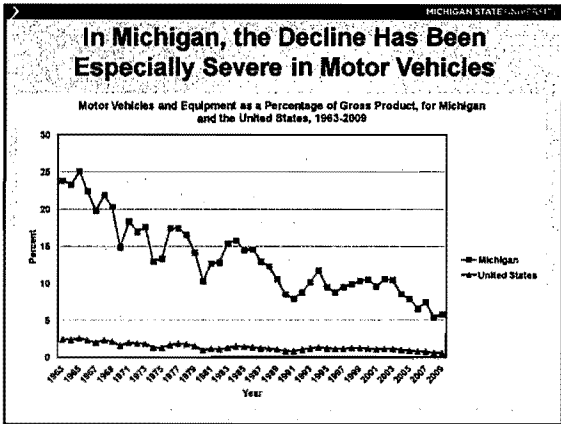
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- **As a result, Michigan no longer leads the nation in the rate of unemployment.**
- **In December 2011, the unemployment rate in Michigan was lower than in California, Florida, Georgia, Illinois, Mississippi, Nevada, North Carolina, Rhode Island, South Carolina, and the District of Columbia.**

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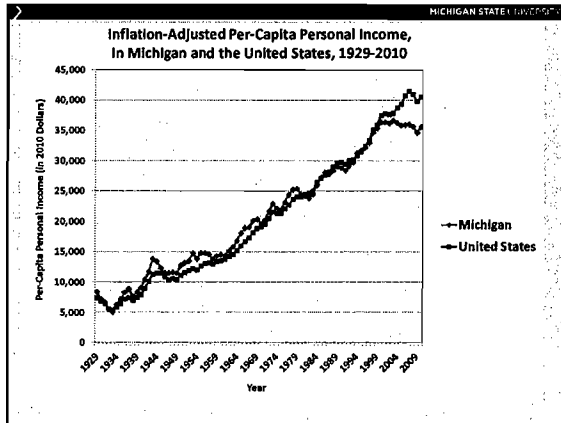
But fundamental structural changes in the U.S. economy have created big problems for the Michigan economy for a very long time.





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**Despite our struggles,
Michigan is not a
poor place.**

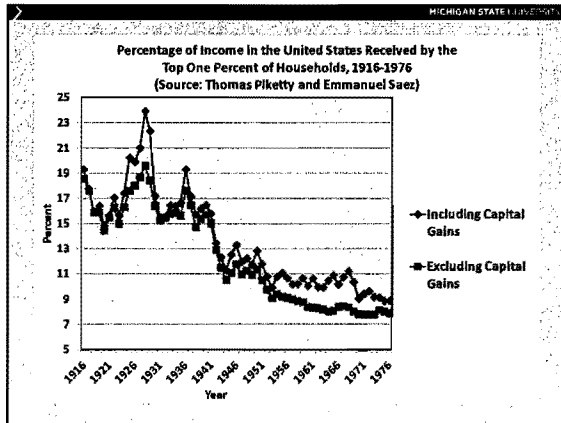


Although Michigan is not a poor place, there *are* poor people in Michigan (and other states).

Incomes are distributed *much* more unequally than they were 35 years ago.

The increase in income inequality is the biggest economic story of our lifetime.

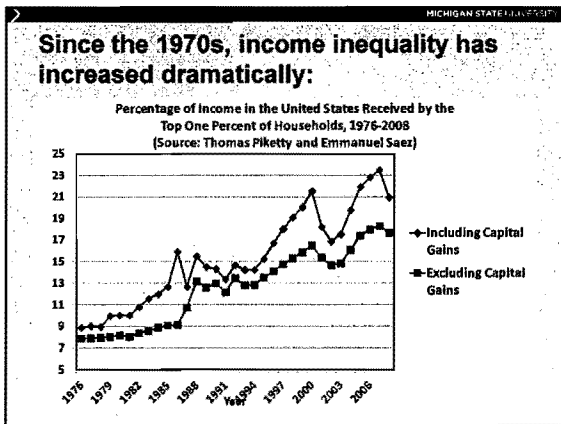
But in the first half of the 20th century, incomes in America actually became *MORE* equal.



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This did not happen by accident:

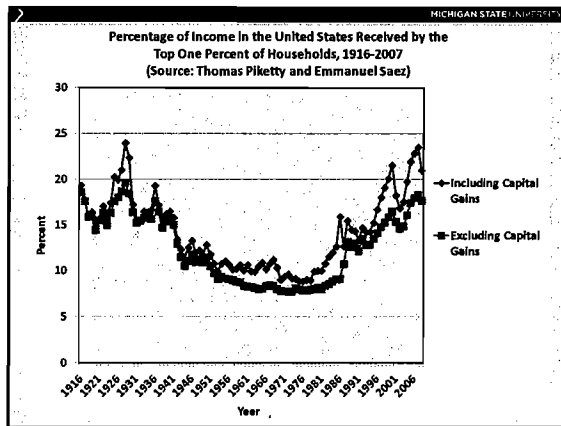
1. Huge increases in educational opportunity.
2. Tighter regulation of financial services.
3. Stronger labor unions.
4. More progressive taxation.

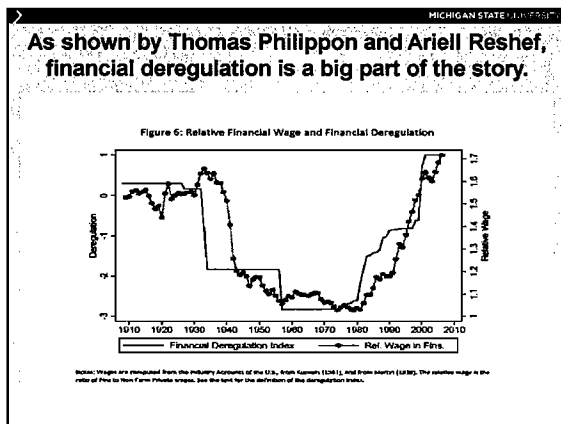


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This did not happen by accident:

- 1. The supply of highly skilled workers increased less than the demand.**
- 2. Deregulation of financial services.**
- 3. Weaker labor unions.**
- 4. Less progressive taxation.**





Nationally, the earnings gaps between groups with different levels of educational attainment are large, and larger than they used to be.

Average Earnings in 2010, for Those Aged 45-54 Who Worked Full-Time Year-Round (For the Entire U.S.)

	<u>Men</u>	<u>Women</u>
▪ Professional Degree	\$185,034	\$102,278
▪ Master's Degree	\$112,622	\$ 74,218
▪ Bachelor's Degree	\$ 90,314	\$ 63,004
▪ Associate's Degree	\$ 60,980	\$ 47,723
▪ Some College (No Degree)	\$ 59,852	\$ 41,117
▪ High-School Graduate	\$ 50,216	\$ 34,410
▪ Some H.S. (No Diploma)	\$ 37,754	\$ 23,775
▪ Less Than 9th Grade	\$ 31,114	\$ 19,996

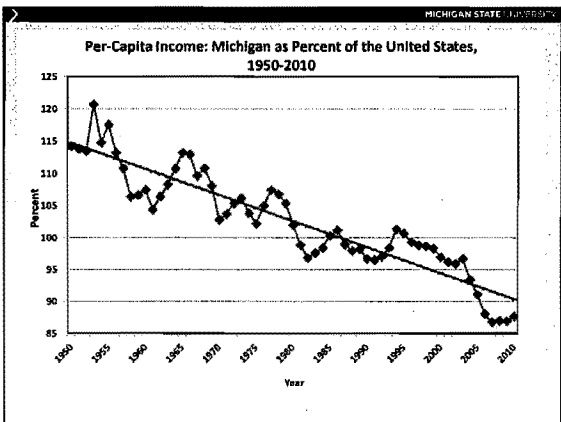
Michigan Has Big Regional Differences in Per-Capita Income (2009)

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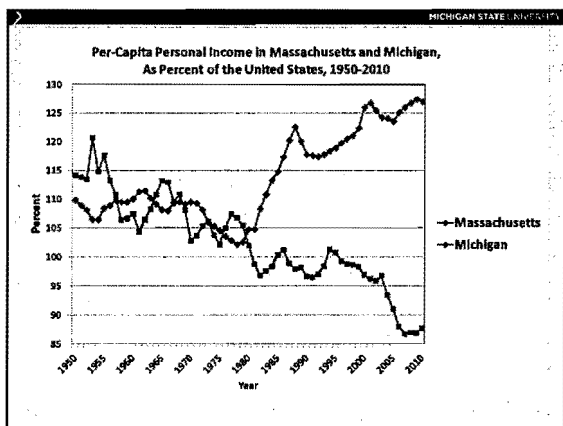
1. Oakland County	\$50,334
2. Midland County	\$41,853
3. Leelanau County	\$39,815
5. Washtenaw County	\$37,859
8. Macomb County	\$36,004
11. Kalamazoo County	\$34,502
Michigan Average	\$34,315
14. Ingham County	\$34,083
15. Kent County	\$33,635
24. Wayne County	\$31,888
38. Saginaw County	\$30,137
42. Genesee County	\$29,526
43. Jackson County	\$29,488
57. Shiawassee County	\$27,322
70. Tuscola County	\$26,094
83. Oscoda County	\$22,934

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Also, although Michigan is not a poor place, our economy has not grown as fast as the national average.



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

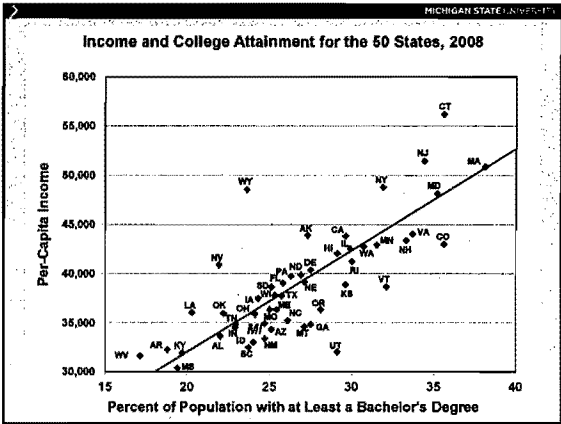


Per-Capita Income in Selected States, 2010: Top Five, Bottom Five, and Some Between

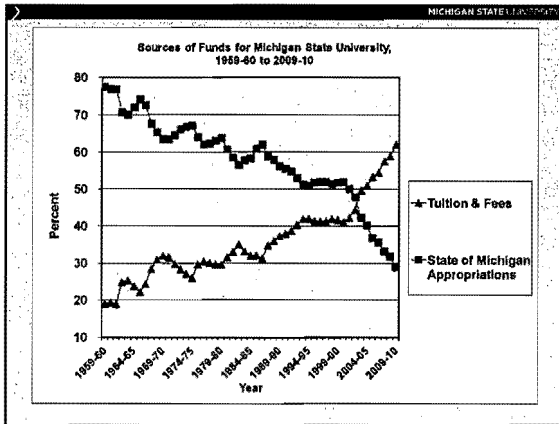
1. Connecticut	\$66,001	24. Florida	\$39,272
2. Massachusetts	\$51,562	27. Wisconsin	\$38,432
3. New Jersey	\$50,781	34. Ohio	\$36,395
4. Maryland	\$49,026	36. Michigan	\$35,587
5. New York	\$48,821	41. Indiana	\$34,943
11. Illinois	\$43,159	46. Arkansas	\$33,150
12. California	\$43,104	47. West Virginia	\$32,641
13. Minnesota	\$42,843	48. Utah	\$32,696
16. Pennsylvania	\$41,152	49. Idaho	\$32,257
23. Texas	\$39,493	50. Mississippi	\$31,186

United States Average: \$40,584

**College attainment
has a decisive
influence on
per-capita income**



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

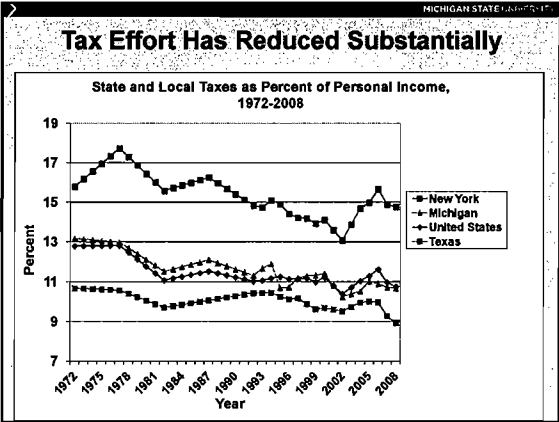


In order to be equivalent to the real budget reductions of the last nine years, we would have to cease state support for:

- 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.

As long as we stick with a nineteenth-century school year of only 180 classroom days, we simply cannot claim that we are serious about preparing for the workforce needs of the future.



The Structural Deficit:

None of the major sources of revenue for state and local governments in Michigan keeps up with the economy.

Potential Sources of Tax Revenue for Michigan:

- **Extend the sales tax to services and entertainments.**
- **Establish a graduated income tax, or at least raise the flat rate of the current income tax.**

More Potential Revenue Sources

- **Decouple from the Federal Estate Tax, so that we can once again collect estate taxes.**
- **Convert the excise taxes on beer and wine to a percentage basis, and/or return them to earlier levels.**
- **Continue to chip away at the vast array of small tax expenditures.**

What does the future hold?

In the words of Yogi Berra:

“It’s tough to make predictions, especially about the future.”

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2011 was a bumpy year:

- Tsunami in Japan
- Turmoil in the Middle East
- Debt worries in Europe
- Sluggish growth in the U.S.
- Debt-ceiling circus in Washington

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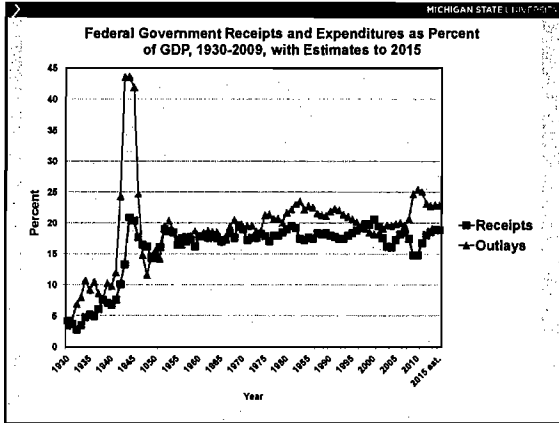
Historically, the recovery from a financial crisis has often been long and slow.

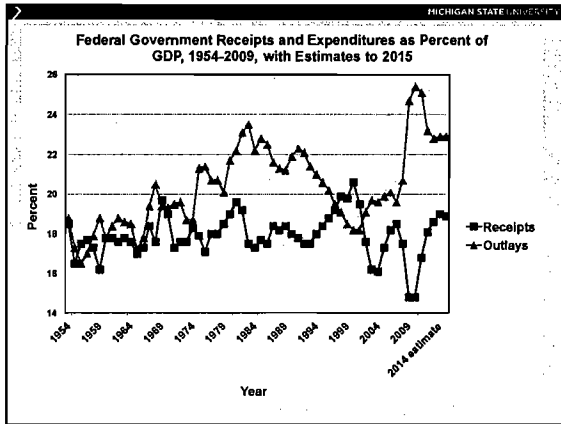
European debt is the biggest concern for the U.S. economy in the near term.

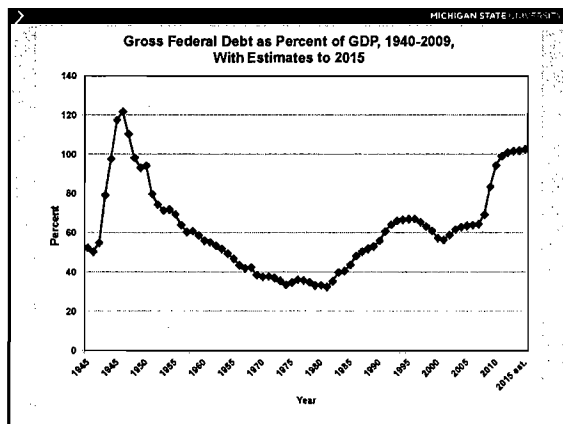
The growth of federal government debt is the biggest concern for the U.S. economy in the medium to long term.

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In the last 42 years, the Federal Government has balanced its budget only four times.

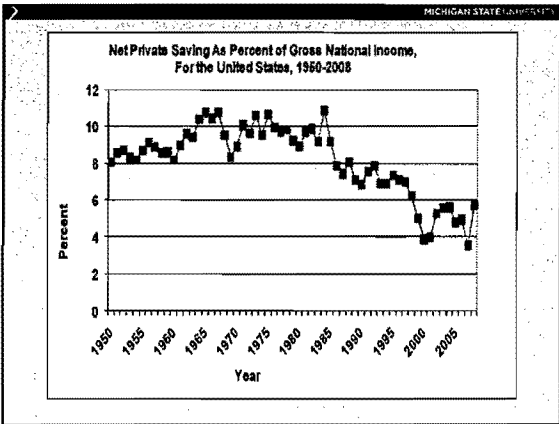






It's not just the Federal Government that forgot how to save.

Private citizens in the U.S. also forgot how to save. That's why we borrow so much from abroad.



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

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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.
