



## Five Years Later... We Are Not 'Blown Away'

By TOM GANTERT | Nov. 7, 2010

Michigan Governor Jennifer Granholm recently went on National Public Radio to discuss her legacy in a state with high unemployment. Granholm blamed much of the state's woes on corporations who "decided to move to lower-wage countries."

"Could the governor of Michigan, no matter who they were, have prevented globalization from shifting manufacturing jobs to low wage countries? No," Granholm said.

The Mackinac Center for Public Policy responds to some of Granholm's comments.

### **Michael LaFaive, director of Morey Fiscal Policy Analysis, Mackinac Center for Public Policy**

I am blown away by the Governor's temerity.

First, she continues to blame the bogeyman of "low-wage" nations and globalization for Michigan's troubles, but such claims are not supported by the evidence. Nationwide the manufacturing sector has done very well. In 2006, American manufacturing enjoyed a banner year with, according to the Cato institute, record "output, revenues, profits, profit rates, and return on investment."

But the economic expansion basically passed Michigan by. The American manufacturing sector has grown in every one of the past 13 months and accounts for 21.4 percent of global manufacturing. The Governor's China bogeyman is only up to 13.4 percent.

Second, even if Michigan's troubles are rooted in greater global competition, Gov. Granholm still made things worse with tax hikes (\$1.4 billion alone in 2007) fee hikes and an itch to hyper-regulate the state.

Gov. Jennifer Granholm's legacy is one of failed development policies bookended between a "Cool Cities" initiative and an expensive and failed film subsidy program. I can only hope the new administration will cast a wary eye on such programs. Her favorite tool - the 15-year old Michigan Economic Growth Authority - has been studied in depth by Michigan scholars. Three found the program produced zero to negative job creation, while another showed it created only a modest success. Even that study showed MEGA still had negative fiscal effects.

That's what makes her argument today about "no quick fixes" so laughable. MEGA has been around for 15 years and it hasn't worked. Her Cool Cities program was born shortly after she took office, and cities chosen as worthy of cool subsidies don't seem to be economic powerhouses.

Remember too that almost five full years ago the Governor promised us that Michigan would be "blown away" by all the new jobs her 21<sup>st</sup> Century Jobs Program would create. She said we would be blown away in five years.

Unemployment was 6.7 percent then; it is 13 percent today. This was a self-imposed constraint and forecast and it was just as wrong as her current assurances that her other targeted development work will someday actually work.

The truth is that these are really *political* development programs, not *economic* ones. When she made that promise she did so knowing she would be safely out of office and unaccountable for her colossal failure. Now Michigan citizens must pay for her braggadocio.

### **James Hohman, public policy analyst, Mackinac Center for Public Policy**

It's one thing to have a program to address a problem. It's another thing to fix it. The Governor has tried to help diversify the economy and retrain its work force, but her policies have developed more press releases than results.

For instance, she cites her No Worker Left Behind program as a success, even though an analysis of the federal grants used to fund the program showed that "ultimate gains from participation are small or nonexistent." (<http://www.mackinac.org/10927>)

In trying to diversify the economy, she has placed bets on favored industries that are unlikely to pay out, while nearly all of the state's manufacturing industrial classifications have struggled.

In the mean time, she blames Michigan's economic problems on global trade. But the rise of Michigan's worldwide exports has been one of the few bright spots in its economy.

I hope that the new Snyder administration can give a level-headed analysis of Michigan's economy and develop policies that will improve the state rather than simply cover up the problems.

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