TOWARD ECONOMIC STABILITY:

THE CHALLENGE OF ECONOMIC PLANNING IN MICHIGAN

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INTRODUCTION

During the last several years the people of Michigan have heard and experienced mostly bad economic news. The most severe national recession since the thirties that hit the U.S. and the rest of the world in 1974-75 stopped just short of becoming a real depression in Michigan. Officially, unemployment in the state averaged 12.5 percent for 1975, however, in certain key labor markets such as Flint and Muskegon unemployment reached about 15 percent. [1] Some economists have estimated that the unemployment rate in the inner city of Detroit--the motor city and the "arsenal of democracy" during World War II--was closer to 30 percent and perhaps as high as 50 percent for certain segments of the labor market such as black teenagers.

In 1977, the state's unemployment rate is still well above the national average, but the dominant industry--automobile industry paradoxically is enjoying a near record year in sales. Under normal circumstances this might have been expected to bring prosperity and even boom times back to Michigan as the automobile industry had repeatedly during the 1920's, 40's, 50's, and even up until the late 1960's. But times and the automobile industry have changed. During recoverys following each major recession of the last 20 years--1958, 1961, 1970-71, and 1974-75, employment in the industry has peaked out at levels below previous periods of prosperity.

The future of the automobile is probably more uncertain today than it has ever been due to the energy crisis and new government policy at the federal level that has signaled an end, or at the very least modification of activities and lifestyles that grossly waste scarce resources.

Politician, urban and regional planners, economists, and most citizens in the state have recognized Michigan's fundemental economic problems at least since the late 1950's when William Haber wrote The Michigan Economy: Its Potentials and Problems during the recession year of 1958.

> "Our unemployment rate was higher than that of the nation during the... recession, and it remained higher during the period of national recovery...We find that our state government is in financial difficulties. We hear it said that the 'climate for business' is poor in Michigan." [2]

Haber went on to show that the state's economy is too heavily concentrated in durable goods manufacturing, particularily automobile manufacturing and furniture making. Since consumer-oriented durable goods like automobiles are purchases that can be postponed during periods of economic uncertainty, the Michigan economy is especially sensitive to national business cycles. Since numerous other industries in Michigan from the small tool and die subcontractor to the large steel maker to the department store retailer are dependent to a certain degree on the auto industry, recessions tend to have a spiraling effect in Michigan that results in increasing unemployment and a prolonged slump.

Few people would disagree that the Michigan economy is unbalanced, cyclically sensitive, and lacks diversity. But John Koval in his study of Industrial Diversification in Michigan notes that people only get excited about this lack of diversity when the economy goes sour; when the automobile industry is enjoying a good sales year concern about diversity rapidly fades.[3]

It is precisely this rise and fall of concern about the state's economy and crisis measures that must be implemented when the economy is in a recession that point to the need for comprehensive long range planning. Efforts at combating the problem have tended to be emotional, sometimes knee-jerk reactions to the perceived problem and solutions. At no time has the state government undertaken a comprehensive survey of the numerous options and potentials that could be employed to bring about a more stable, dependable economy. For instance, due to the fact that businessmen tend to be very vocal about taxes, the state in recent years has tended to translate its concern about economic planning and development into a series of tax reforms or abatements designed to attract new industry and hold existing industry. The results of these reforms and tax abatements have been mixed at best, and some observors feel that changes such as the Michigan Single Business Tax are actually penalizing the very service and other labor intensive industries that the state must encourage in order to become more diversified.[4] This preoccupation with taxes not only leads to decisions that have benefits and costs that are not apparent until they are implemented, but it also steers attention away from a more comprehensive analysis of the problems and potential solutions.

Because the Michigan economy affects everyone in the state, impacts on virtually every social and community planning problem, the problems of the state economy must be of interest to the urban and regional planner. An unstable economy results in a great wastage of human and capital resources. Numerous studies have shown that unemployment and underemployment increase strains on the family unit, contribute to crime, health problems and even suicides. Obviously when a husehold head is not working there is little more than a poverty income coming into the family. The inevitable result is the family not being able to keep up a home, neighborhood decline sets in, and finally the urban planners are called in to try and begin a renewal. It is clear, however, that any renewal does not have much chance of succeeding without a healthy local and state economy. People need steady jobs to gradually improve their lives and self-respect.

There is an added factor about the non-diversity in Michigan's economy that should be of interest to the urban and regional planner seeking that sense of life, vitality, mystery, and spontaneity that makes the city "work." Although few studies in this area have been made, some observers feel that occupational non-diversity also leads to a lack of cultural and social diversity in other areas.[5] Because so many citizens in southern Michigan cities have jobs tied to the demanding pace of the auto industry, nightlife and a broad entertainment opportunities tend to be limited. Symphony orchestras and theater troupes in cities like Detroit must struggle to stay in business even thought Detroit is the nation's fifth largest city and because of this would otherwise be expected to have a wealth of cultural and entertainment opportunities. Although downtown areas of cities all over the United States are experiencing great difficulties, the downtown areas of most Michigan cities that are dominated by the automobile industry appear particularily drab, uninviting and unexciting.In Flint and Pontiac which have virtually no other manufacturing employment outside the automobile industry vast tracts of land cleared between five and 15 years ago for "urban renewal" lie vacant and waiting. It is almost as if the uncertainty of the extremely sensitive and unpredictable local economies have destroyed the self-confidence necessary to carry out ambitious plans for renewal of these forlorn tracts of land surrounding the central business districts of these two cities.

There is evidence that the problem of overconcentration in one area of the economy tends to re-enforce itself over time. The cyclical slumps probably make it more difficult for many new service or retail concerns from entering and maturing in the Michigan economy. A sudden downturn in the economy is often deadly for a new business trying to get past the breakeven point that characterizes the struggles of most firms during the first few months or years of operation. Stable, consistent, and predictable growth might be a necessity for economic maturation of a community into a varied, diverse human environment that offers its members wide choice in occupations, services, cultural and recreational opportunities.

The comprehensive planning process with its emphasis on setting goals, collecting data, analyzing data, exploring alternatives for action, selecting alternatives and implementation of a comprehensive plan has much to offer those concerned with planning for a better economic future in Michigan.This paper will attempt to approach the problems of Michigan's economy--over concentration in durable goods manufacturing, high long term unemployment, and cyclical instability--from a comprehensive point of view. Because there has not been an in-depth analysis of data relating to the Michigan economy, and no goals have been set, alternatives that offer great potential for bringing more stability have not been discovered and researched. Without a comprehensive viewpoint, efforts to improve the situation tend to be concentrated in such narrow areas as industrial development and business tax reform.

Thus the basic objective of this paper is to look at present efforts at improving the state's economy and then survey a number of possible alternatives that have been overlooked or ignored because of present assumptions. The emphasis will be on identifying <u>alternatives</u> that are suggested by research on the characteristics of Michigan's economy and coursework designed to fullfill the Plan B requirement for the Master in Urban Planning degree at Michigan State University. The courses utilized in meeting this requirement include Geography 413 (Geography of Manufacturing), Economics 460 (Regional Economics), and Sociology 430 (Sociology of Work).

The structure of this paper is to move from the introduction to an historical perspective on the Michigan economy. This perspective shows that Michigan's manufacturing sector had a broader base as recently as the 1940's. The third section of the report provides an in-depth statement on the current problems of the Michigan economy. Recent attempts to alleviate the problems of the state's economy such as tax incentives for industry and the single business tax will be the focus of the fourth section. The fifth and most important section will look into important alternatives for improving the economy. The intent is not to provide a detailed, exhaustive analaysis of each of the alternatives, but rather to make a comprehensive presentation of the range of potential solutions. The final section will contain a summary and recommendations for further study and action.

HISTORICAL PERSPECTIVES

The entire colonial, territorial, and state history of Michigan has been marked by a series of booms and busts fueled by a certain commodity or industry, according to Willis Dunbar's book on the history of Michigan.[12] After each of these booms and busts, the state residents endured a period of stagnation that often lasted for several decades. It appears that Michigan is now in the "post-automobile industry boom" period of stagnation and there is no dynamic growth industry waiting on the horizon to pull the state out of its economic doldrums. Indeed even if there were such an industry ready to take off, history seems to indicate that it might not be such a good thing for the state anyway. Rather, the state's best hopes for coming out of this stagnation lie in realistically assessing the state's potential for growth in certain areas, then laying the groundwork for growth that has a broad base, is well balanced and helps to diversify the economy. The best way to achieve these objectives is through comprehensive planning that would set goals, collect relevant data, explore alternatives, and put together a plan of action. This is an opportunity that the citizens of Michigan did not have after the lumber ran out beginning a slump late in the 19th century that lasted until early in the 20th century when the automobile industry took off.As far as the lumber industry goes, comprehensive planning and management of this valuable resource could have maintained industries such as wood furniture and paper manufacturing at a much greater size than these industries are today resulting in a more diversified economy. Although Grand Rapids still has a national reputation as a furniture capital, most of the wood furniture manufacturing has shifted to the south closer to substantial supplies of raw materials. Grand Rapids now specializes in office furniture which is more likely to be made utilizing metals and plastics.

The first boom in Michigan occurred during the colonial period of U.S. history and involved largely the French and Indians in fur trading. Detroit got its first push at the center of fur trading in North America. Like timber, this early boom ended when the supply of the basic raw material was exhausted due to excessive trapping.

After Michigan become a state and railroads, planked roads, and canals began to open up the interior, the state attracted hordes of new settlers who began a boom fueled by land speculation. This ended with the "panic" of 1837, and growth stabilized for the next several decades until the lumber boom began in the 1860's. By the 1880's Michigan was harvesting more timber than any other state in the union and providing lumber than helped build such midwestern cities as Chicago, Grand Rapids, Saginaw, Muskegon, and Detroit.[13] Running somewhat concurrently to the lumber boom was a tremendous expansion of mining in the Upper Peninsula after significant deposits of copper and iron were discovered in the Marquette and Houghton areas. When the mining boom ended the Upper Peninsula began a long period of economic stagnation from which it has still not fully recovered. In the 1890's the timber in Michigan ran out, and the lumber barons departed for Wisconsin and other points west leaving vast, gaping stretches of clear-cut landscape in the Upper and northern Lower Peninsulas, much of which was characterized by poor soils that could only marginally support farming.

There is no traditional explanation in location theory to account for the birth of the automobile industry in Michigan early in the 20th century, except that Michigan was fortunate to have a group of highly skilled daring, and inventive entrepreneurs who pioneered techniques of mass production and marketing techniques that brought private, motorized transportation to the average consumer. These entrepreneurs included Henry Ford, R. E. Olds, Alfred Sloan, and others. After the automobile industry began to get established in southeastern Michigan, economies of scale were built up particularily in the areas of skilled subcontractor and labor justifying the locational aspects of the industry.[14] In addition, as the automobile industry has always been a very style and marketing conscious and it has been advantageous for automobile manufacturers to be located close to one another. Southern Michigan is also centrally located to major markets in the U.S.

One of the more fascinating aspects about a historical perspective on the Michigan economy is the fact that as recently as the 1940's Michigan had a much broader based manufacturing economy. Although precise employment data that is comparable to modern employment data is almost impossible to come by an extremely interesting book written about Michigan by a team of writers under the Works Progress Administration (WPA) in 1940 seems to indicate that several Michigan cities now dominated by the auto industry were able to offer residents jobs in a wide variety of industries.[15] Michigan: A Guide to the Wolverine State is an exhaustive descriptive survey of the entire state including its major cities, regions, recreational areas, transportati systems. Each section on the major cities in the state includes a description of key local industries and this is particularily fascinating to the modern reader due to the fact that relatively few of the industries mentioned exist in the cities today. The next page includes examples from this descriptive survey.

Prominent Industries [16]

Detroit: Stoves (was once considered the stove capital of the world)
Railway Cars
Shoes
Steel
Pharmaceuticals
Bicycles
Chewing Tobacco (largest producer in the U.S.)
Seeds (Home of the D.M. Ferry Co., leading concern in growing and distribution of seeds for agriculture)

Lansing: Autos & accessories, trucks, agricultural implements
awnings and tents
chemicals
display fixtures
tools, dies, boilers, gas engines
concrete mixers, road culverts
rubber stamps
rugs
hand trucks, warehouse tractors & trailors
beet sugar refining
wheel barrows (largest national producer)

Grand Rapids: Furniture capital of the U.S.
Refridgerators
carpet sweepers
plumbing, fly paper
catelog publishing center

Kalamazoo: celery capital
oil of peppermint
boiling pots, furnaces, stoves, gas heaters
musical instruments
playing cards
paper
caskets
clothing
fishing tackle
drugs

Jackson: railroad shops
auto parts and tires
food stuffs
radios
refridgerators
furniture
electrical equipment

Saginaw: tapes, rulers, graphite
boilers, washboards, kneading machines
sugar beet refining, bean canning
chemicals (nearby oil and brine deposits)
major marketing center of a large, rich agricultural region

It is fairly obvious that some of these industries that were present in Michigan in 1940 have totally disappeared in the U.S. due to changing technology and improvements in home economics and consumerism. Examples are the washboards and kneading machines present in the Saginaw manufacturing sector or wheel barrows in Lansing.

But the researcher might ask what happened to the stove industry in Detroit, or the seed and chewing tobacco concerns? How did Lansing come to lose its sugar beet refining industry, its carpet and rubber stamp industries? Why are caskets, playing cards, clothing, and musical instruments no longer made in Kalamazoo?

Little or no research has been performed on the issue of the decline of industries that are not perceived as being a major part of the local economy. However, in the aggregate these industries mentioned in the 1940 WPA survey almost certainly contributed to a more diversified economy for Detroit, Lansing, and the other cities included in the survey.

Haber's careful research on the performance of the Michigan econony during the 1950's offers a major clue as to what might have happened to other industries that were not related to the automobile industry. In the early 50's, unemployment in Michigan fell below three percent, a figure that is considered at or even above full employment. At this figure virtually the only persons unemployed are workers who are between jobs, or who have had a poor work history, or suffer discriminati n and other handicapps. In 1953, demand for military hardware, including trucks, tanks, and jeeps to fight the Korean War plus strong consumer demand for autos brought virtually every able-bodied worker in Michigan into the labor market. In addition, the automobile companies launched extensive recruiting drives in parts of the south to attract workers to Michigan.

Historically the automobile industry has paid wages far above the average for other manufacturing industries and the end result was that other industries were unable to compete with the automobile industry during the severe, but temporary labor shortage. This same phenomenon also occured during World War II and several post war years when pent up demand for automobiles by consumers was released. So it is probable that lower wage industries began moving south during the 40's and 50's to benefit from lower wages and more plentiful labor not necessarily to get away from unions or high taxes as is generally believed.

What lessons does this experience offer to the planner who is concerned with the local economy base? First of all it leads to the conclusion that an industry that is growing too rapidly can have a negative effect on the long term health of the local economy. The July, 1976 issue of ASPO Planning magazine contains an article entitled "To Control Growth, Look at Your Local Economy." One of the significant points made in the article is the fact that bringing a major new industry into a community can actually increase unemployment by making it more difficult for existing industries to compete for labor and distorting existing wage structures.[17] If existing industries then leave the community to find better conditions, the new "growth" industry has not improved the local economy much at all and may have actually made things worse.

"The mere presence of another new factory, office complex, or research and development firm does not provide any guarantees. Indeed, quite the reverse may be true. This could happen if the new source of employment attracted too many new in-migrants into the area for the number of jobs available. In this instance the effect would be a worsening of the situation." 18

This precisely seems to be what happened in Michigan. The lure of high paying jobs in the automobile industry brought thousands of poor black and white workers from the south. At the same time other industries that were unable to compete with the autombile industry began to move south to seek more promising conditions. Then when the automobile boom ended Michigan was left fewer automobile manufacturing jobs, a less diversified economy, and a large contingent of unskilled workers--many of them concentrated in urban ghettos. The urban and economic planner must be aware of "growth" trends like this that appear paradoxically rosy on the surface. But the planning problems that can result subsequently are enormous.

The challenge of economic planning in this context appear to be an awareness that must be developed that the economy is a dynamic, constantly evolving eco-system that in some ways can be almost as fragile as a biologic eco-system. When that balance is upset, a rippling effect can occur throughout that has implications for years to come.

STATEMENT OF THE PROBLEM

> "Of all the states in the Union, Michigan is perhaps the least typical. It is unique geographically because it consists of two large peninsulas, because it lies in the midst of the upper Great Lakes and because of the striking differences between the soils, climate, and vegetation in those parts of the state lying north of the 43rd parallel and in those lying south of this line. Its highly industrialized southeastern section is in sharp contrast to the sparsely settled Upper Peninsula and northern lower Peninsula.
>
> --preface, Michigan: A History of the Wolverine State by Willis F. Dunbar

In this passage of Dunbar's work on Michigan history lies a key to one of the challenges of planning for a healthy economy in Michigan. The state is really composed of three broad regions that are as different as day and night. These three broad regions--the vacation and tourist-oriented Northern Lower Peninsula, the sparsely settled and resource-based Upper Peninsula, and the heavily industrialized Southern Lower Peninsula can in turn be divided into numerous sub-regions.

In southern Michigan for instance where 83 percent of the state's manufacturing capacity is concentrated,there are the automobile-dominated cities of Flint, Saginaw, Bay City, the vast Detroit metropolitan region; the fruit belt of western Michigan, good agricultural lands in south central Michigan and the thumb and Saginaw Bay areas, and the educational and government-influenced cities of Lansing and Ann Arbor. These latter two labor markets also have manufacturing sectors dominated by the automobile industry.

Although there are similarities in the problems of different regions across Michigan there are many more differences--pointing to the need for some strong regional-orientation to economic planning for Michigan. A recent report on long term recommendations for improving Michigan's economy noted that the Office of Economic Expansion concentrates on selling the state to business and industry as a whole. Frequently, the report produced by the Michigan Economic Action Council states, state-level organizations cite "average" state-wide figures for factors of production affecting industry such as labor costs when trying to promote industrial movement into the state. The concentration of the automobile industry in the southeast tend to skew such average cost figures much higher than what is typical for the rest of the state giving prospective businessmen considering Michigan as a location for a plant a gloomier picture than really exists.[7] "Equally important, average numbers for the state obscure the important differences between southeastern Michigan as a business location and other regions of the state such as the Upper Peninsula," the report continues. One of the key recommendations of the report is that the Office of Economic Expansion--the chief agency for economic planning and promotion in the state--should collect and package information for prospective new employers on a regional basis and that some state supported agency should assume responsibility for a continuing study of each of the distinctive economic regions of the state.

Michigan consists of several distinctly different economic subregions with unique industrial structures and varying potentials for future growth. Even though the state has already been divided into fourteen regions for planning and development purposes much remains to be done before the state can effectively impact economic growth in all region's by taking each region's uniqueness into account.[8]

Perhaps the first problem to overcome, therefore, is the tendancy to look at Michigan as one homogenous state and recognize that a natural diversity is present that has both been overlooked and undersold.

Due to the fact that the automobile industry is a high-value added concern that has brought relatively high personal income averages to the state, political leaders, planners, and others have come to take non-diversity for granted. The Michigan Economic Action Council report lists two undesirable characteristics that have come to plague the Michigan economy: [9]

(1) an unemployment rate that has remained well above the national average even in boom times during recent years; and

(2) a concentration of employment in the durable goods manufacturing industries that contributes to the extreme fluctuations in the state's economy.

The Michigan unemployment rate has been below the national average in only seven of the past twenty-five years, and once in the past 10 years. Unemployment is serious for any worker, but the consequences are suffered in much greater percentages by minority workers, teenagers, and women. In 1975, the unemployment rate for blacks was 30.2 percent, for Spanish Americans 19.6 percent, for teenagers 16 or older, 33.7 percent, and for females, 16.5 percent.[10] As minority workers tend to be concentrated in inner city neighborhoods of the larger urban areas in Michigan, the hopelessness, frustration, and despair of joblessness is translated into other social and planning problems.

The combination of persistent high unemployment, part of which is cyclical and part structural, coupled with the dependence upon national demand for durable goods has created several problems--among them high state expenditures for income maintenance programs; state revenue fluctuations that often force reductions in programs and services; and the demoralization of those who want to work but cannot find employment.

According to the Michigan Employment Security Commission durable goods (primarily automobile and related manufacturing such as fabricated metals) have maintained a steady percentage of about 80 percent of all manufacturing jobs in Michigan. The state's heavy reliance on durable goods manufacturing has been tempered by the gradual growth of non-manufacturing employment in the service, retail, and government sectors that reflects a nationwide trend of the"post industrial society." However, growth in these sectors has not come fast enough in recent decades to create enough jobs for new entrants into the labor market, particularily those who face discrimination and are hampered by a lack of skills such as minorities, youth, and women. Through the mid-1950's the auto industry was characterized as a growth industry and enough unskilled assembly jobs were created to absorb this type of worker.

In the late 1950's Haber cited several reasons for the automobile industry's sluggish performance that led to a contraction of employment through the decade. The first was a shift in defense procurements by the U.S. government after the Korean War from vehicular hardware which was historically produced in Michigan to aeronautical and missle systems that were produced in the southwest and west coast. Secondly came a decentralization of the automobile industry to close proximity of major markets across the country. This trend can be considered a natural response to the increasing importance the market has played in industrial location during the 20th century. The third and potentially most important was the increasing efficiency and capital investment in the industry that had the effect of expanding capacity while reducing the proportionate need for new labor. So the auto industry has become increasingly capital intensive, and not surprisingly increasingly energy-intensive,trends that have impacts on several aspects of the Michigan economy. Most important among these impacts are the problems of unemployment and the massive energy deficits that the state experiences. Michigan imports 96 percent of its energy consumption--virtually all of its coal, 90 percent of its natural gas, and 93 percent of its oil. Dollars that go out of the state to purchase energy obviously do not circulate through the state economy whereas the substitution of labor in capital and energy intensive Michigan industry would keep more income in the state and regional economies.

Since the Haber study, several more changes have begun to affect the automobile industry including the energy situation which will likely hit autos at both ends--in the production stage where energy is likely to become much more expensive and in sales where higher gasoline prices and taxes along with taxes on gas guzzling car models proposed by the Carter administration could have devasting effects over the short term. Other changes causing uncertainty as to the future prospects of the industry include (1) increased governmental regulation especially in areas of the environment and personal safety; and (2) the probable fact that much of the U.S. and European markets for automobiles have been tapped and saturated. Therefore, the industry cannot realistically expect significant growth in unit sales; production will most likely be tailored to replacing autos that wear out.

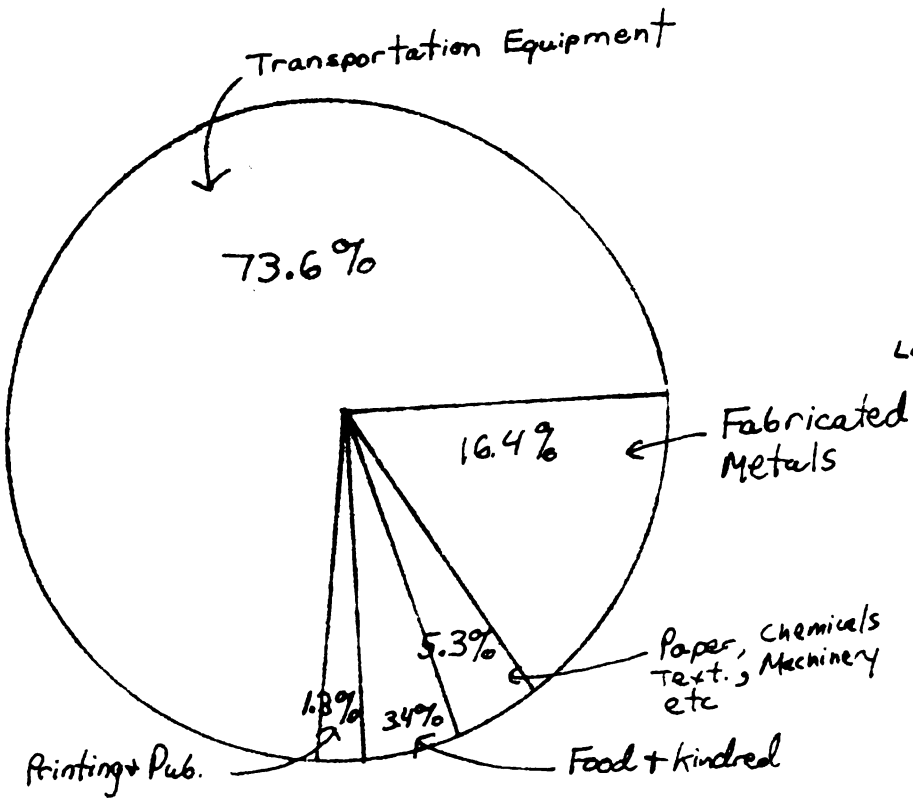
What emerges from a review of recent trends in the automobile industry is the fact that employment in the industry has fueled relatively high personal income standards for the majority of Michigan residents. For those residents who do not have jobs, skills, or access to training and skills the industry does not offer much hope and tends to drag down job opportunities in other sectors of the economy due to the spiraling effects of cyclical recessions.

Flint is a good example of the magnitude of the problems created when the local economy is tied almost exclusively to one cyclically sensitive and relatively stagnant industry such as the autombile industry.Flint has been identified in several studies as the least diverse of all major labor markets in the United States. As recently as 1960, Flint had over 50 percent of its total employment tied up in manufacturing and 90 percent of this employment was directly or indirectly oriented to automobile production. Flint's percentage of of employment in manufacturing was also identified as the highest for any major labor market in the nation. A comparison of Flint's manufacturing employment with that of Grand Rapids in the pie chart graphically illustrates how Flint seems to have "all of its eggs in one basket." [11]

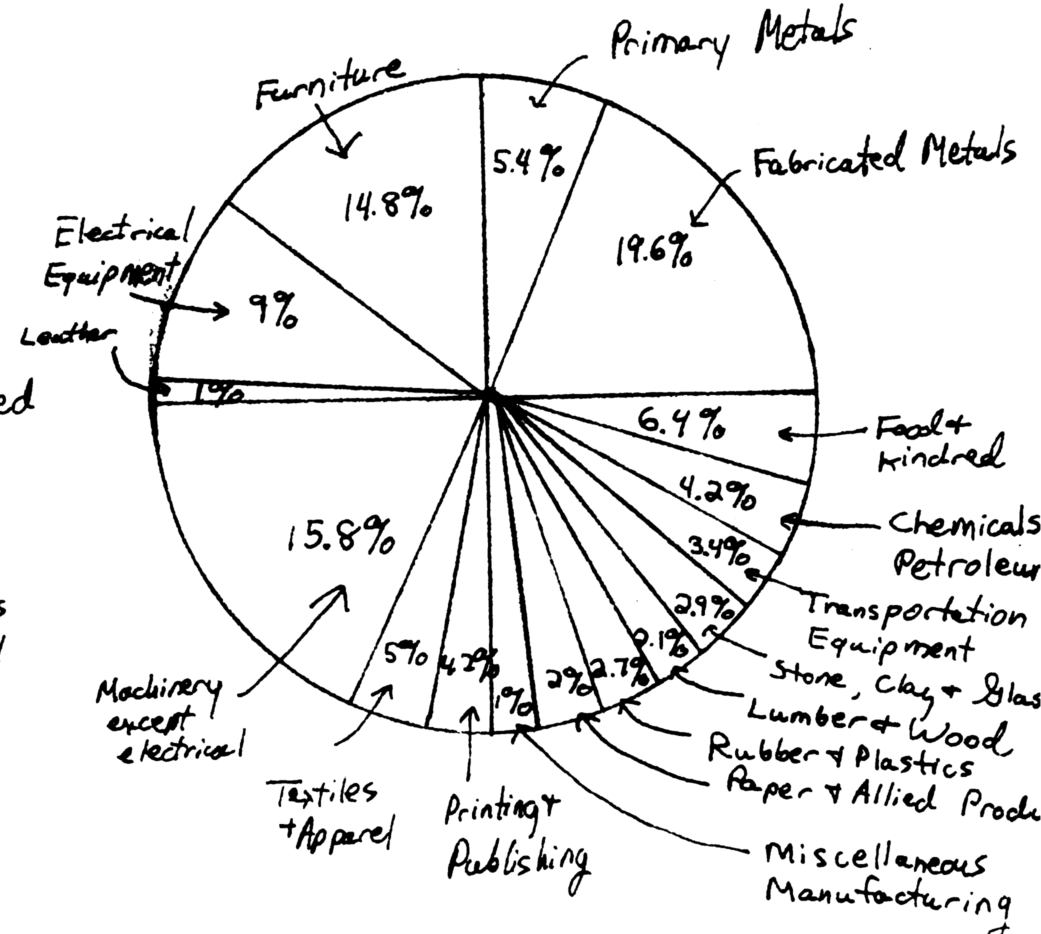
The result of this concentration in one industry is that Flint experiences severe fluctuations in its unemployment rate, not only from year to year, but also within a period of several months. Even in good times, it is not uncommon for the Flint unemployment rate to zoom from five or six percent to 20 percent during model changeover periods in July and August. Although Flint is the most graphic example of some of the underlying problems caused by non-diversity in the state, in many ways the other major labor markets in the state are really not much better off. Ann Arbor and Lansing appear to have relatively healthy local economies due to the presence of major universities and state government facilities; however in terms of manufacturing employment the two cities have almost as much of their employment tied up in the auto industry as Flint. As the world headquarters of the auto industry, the Detroit metropolitan area also has its fortunes intricately wrapped up with automobile production.

Since the evidence seems to indicate that the industry can no longer be

Diversity of the Manufacturing Sector



Flint SMSA



Grand Rapids SMSA

Source: U.S. Department of Labor

counted on to provide new growth or even to maintain existing employment, it is time that politicians, economists, planners, union, and the citizens of the state recognize that the issue of diversity is not something that can be of concern when the economy is in recession and not of concern when the economy is healthy. The only answer is to begin comprehensive and continuing research on the economy to formulate concrete plans that can pave the way for a more stable, balanced, and diverse Michigan economy that provides opportunities for all of its residents.

Recent Attempts to Improve the Situation

In recent years the state legislature and the Office of Economic Expnasion within the State Department of Commerce, local Chamber of Commerce groups and Industrial Development Corporations have been the principle agents trying to effectuate economic improvement in Michigan. The Office of Economic Expansion is charged with promoting the state as an attractive site for business and industry to locate, to help industries already located in the state to expand, and to perform research on various problems of the state economy.[19] The state legislature as the political-legislative branch of state government acts on recommendations of the Office of Economic Expansion, lobbying groups such as the state-wide Chamber of Commerce organization, industry representatives, and manufacturing associations, research groups, labor organizations, and other interest groups to pass laws that are aimed at improving the Michigan economy. Local chamber of commerce groups and Industrial Development Corporations concentrate on attracting an industry to their local community. Many of these groups are competing with each other to attract a limited amount of industry that wishes to locate in the state of Michigan.

The Michigan Economic Action Council report observed that the focus of the Office of Economic Expansion almost exlusively since its inception in 1947 has been on encouraging manufacturing firms located in Michigan to expand here, and on attracting new plants to Michigan. Because of this emphasis, the OEE has pushed and been quite successful in advocating new legislation that provides manufacturers with additional incentives to operate in Michigan.[20] These policies appear to be particularily favorable to very capital intensive industries requiring large amounts of land like automobile and other durable goods manufacturers. Recent legislation includes:

--The Plant Rehabilitation Act of 1974 that allows local units of government to offer a property tax incentive to encourage renovation or replacement of obsolete industrial facilities and to attract new plants.

--A single business tax that replaces seven individual taxes that formerly applied to business and industry in the state. The single business tax is a value added tax assessed at the rate of 2.35 percent of a tax base comprised of federal taxable income, total compensation paid, interest and depreciation. This took effect on January 1, 1976.

--The Economic Development Corporation Act that enables municipal governments to utilize condemnation powers to assemble large parcels of land for industrial purposes.

--The Job Development Authority which is authorized to issue moral obligation bonds, the proceeds of which can be used to finance the construction, acquistion, expansion, or renovation of industrial and commercial buildings, machinery, and equipment.

The balance of the discussion in this section will focus on two of these recent economic development incentives--the Plant Rehabilitation Act and the Single Business Tax. In the aggregate, however, not one of these new policies actively encourages labor intensive service and high technology industries--the two categories that the Económic Action Council report directed by Michael Blumenthal concludes have the most potential for growth in Michigan. There is increasing evidence that some of the new legislation, particularily the Single Business Tax, actually penalize labor intensive service and retail industries.[21] As these categories of industry typically utilize small amounts of land and capital equipment, there is obviously very little in the above acts that can help these industries, meaning that the other capital-intensive durable industries are being subsidized to a certain extent. Currently, the city of Lansing is embroiled in a controvery with General Motors, the world's largest corporation in the midst of a record breaking profit year over the issue of utilizing the Plant Rehabilitation Act to place much of its Oldsmobile operations in a tax abatement situation for up to 12 years. The possibility of the world's largest and more profitable corporations getting such a major property tax break has created many fears, particularily among institutions which depend on the property tax such as school districts, over loss of revenue.

In addition to a preoccupation with capital intensive "heavy" industry these series of acts also tend to focus almost exclusively on the issue of taxes. This is probably due to the fact that businessmen are extremely vocal over the issue of taxes as the fundemental form of governmental regulation and taxes are preceived as an area of operating costs where a certain amount of "jawboning" seems to have an effect. Much research in the past, however, including work by Michigan's own W.E. Upjohn Institute for Employment Research has established the fact that tax breaks for industry do not really amount to much of a relative cost saving for the industry and such breaks can actually have a negative effect on community spirit. "Direct tax exemptions impose an added burden on the rest of the community, including industry, and they do not contribute to good community spirit," wrote Harold Smith in an UpJohn Institute report entitled "A Suggested Program For Financing Area Development in Michigan." [22]

Smith cites considerable evidence indicating that although businessmen complain a lot about taxes, taxes rank fairly low on the major criteria considered in locating a manufacturing plant. In a 1960 study by Thomas Bergen industries were asked to rank 18 major reasons for location of their new or expanding industrial facilities. The availability and cost of labor, convenience to markets, availability of buildings, transportation, and raw materials consistently headed the list while tax incentives ranked 13th on the list of reasons for location. "Other financial incentives" ranked 15th on the list of 18 criteria for location of manufacturing facilities. Several other studies have also been made with similar results.[23] There is some evidence that once an industry chooses a specific state and region, property tax differentials within that region do make a difference assuming that local labor, access to markets, transportation are relatively similar. What the recent legislation would appear to be doing, then, is encourage more inter-regional and even inter-metropolitan competition for tax base. A prominent example of this has already come up in the Detroit area where the cities of Detroit and Pontiac are competing for the new hockey stadium. Both cities are considering using the EDC act and other tax measures as location incentives. It would be ironic if Pontiac was successful in pulling the Detroit Red Wings out of Detroit, which is sorely in need of jobs and tax base, using an act designed to help the state as a whole.

If these laws offering tax breaks to capital and land intensive industries are passed out of fear that Michigan's major auto factories, chemical and steel plants are going to pull up stakes suddenly and move down south or elsewhere one might examine how rational this fear really is. One of the most basic concepts taught to geography students studying industrial location is the principle of industrial inertia. Simply put, industrial inertia applies to industries which over the years have made tremendous capital investments in land, buildings, and equipment at one site. At some point it becomes economically unfeasible for the plant to move to another location. This simple principle keeps numerous manufacturing facilities in operation long after a certain location ceases to be the most desirable site from a cost and profits point of view. The industrial inertia principle is relevant to Michigan because the auto and steel industries in particular have too much invested in Michigan to ever pull up stakes and leave for a different location. The investment of these capital intensive firms goes far beyond simple land, building, and equipment. It also includes the integrated network of subcontractors, consultants, suppliers, that these industries depend on along with the heritage and traditions of the industry in southeastern Michigan, the transportation network, and established markets. Although the auto industry began in Michigan somewhat by accident these factors over the years have increasingly justified its presence here.

What industrial inertia means in terms of recent legislation, is that the types of industries that would most likely be able to take advantage of measures such as the Plant Rehabilitation Act are also the same ones which are likely to be rooted in the state for a long time and can be expected to carry out a certain percentage of their natural expansion within the state. Even if these companies do not want to expand in Michigan, state officials should not necessarily see this as tragic because of arguements presented earlier in this paper. A major expansion of the auto industry in Michigan would probably not contribute to a more diversified economy and might even further increase the pressures other industries experience in competing for labor and other factors in an unbalanced economy.

Another issue to consider is whether or not tax abatements to encourage plant rehabilitation, renovation, or acquisition of new machinery automatically insure that there are going to be more jobs. In some instances,a plant modernization installing new automated equipment probably results in a decline in employment though there may be temporary gains during construction.

It is quite surprising that the state has tailored most of its economic development efforts toward manufacturing activities when basic projections made by the MESC show that the percentage number of total jobs in manufacturing will decline anyway from 37.9 percent to 29.3 percent of the labor force in the state.

Michigan Employment By Industry [24]

	1960 (actual)	1980 (projected)
Manufacturing	37.9%	29.3%
Wholesale & Retail Trade	17.7%	18.0%
Professional Services & Public Administration	15.7%	26.7%
Services, Repair, Entertainment & Recreation	7.8%	7.8%
Transportation, Communication & Utilities	5.7%	4.7%
Construction	4.6%	4.6%
Agriculture, Forestry, Fishing	3.4%	1.3%
Finance, Insurance, Real Estate	3.3%	4.3%
Other, not reported	3.3%	2.9%
Mining	0.6%	0.3%

Source: MESC

This trend away from manufacturing is in line with nationwide developments characteristic of the post-industrial society where employment in primary and extractive industries such as agriculture and mining along with employment in secondary manufacturing industries declines. Meanwhile employment in tertiary and quartenary industries such as the services and consulting work increases.

Recognizing these trends, the Michigan Economic Action Council report "Toward Growth With Stability" identifies service and high technology research-oriented industries as the sectors having the most growth potential in the Michigan economy. The service industries are defined in the report as Wholesale and Retail Trade, Finance, Real Estate, Insurance; Business, Personal and Professional Services. Research carried out by Dr. John Mattila of Wayne State University using the technique of location quotients indicates that many of these service industries are under-represented in Michigan. This is based on national averages for each industry and then extrapolating to determine what employment Michigan should have to serve the needs of its population.[25]

The significant factor about service industries is that they are usually labor intensive. What does this mean in terms of recent legislation and actions to stimulate economic development in Michigan? Since most service industries have little in the way of plant facilities and manufacturing equipment many of the tax abatement measures have nothing to offer this type of firm.

Unfortunately, there is increasing concern that Michigan's latest attempt to make it easier for business and industry to operate in the state may actually be penalizing the sectors that have the most growth potential in terms of new jobs for the people of Michigan. Although the single business tax is too new for a complete assessment to be made, numerous arguments have been made against it.

> "We would like to point out as a general proposition that the Single Business Tax is generally believed to have a greater relative impact on labor intensive industries. Despite the labor intensity adjustment provisions, the dominance of compensation paid in determining the tax base means that labor intensive industries--and certain service industries are precisely that--are likely to be bearing a greater tax burden in Michigan under the Single Business Tax than formerly.

> Finally, shifting the orientation of the Michigan tax system away from income and profits appears to increase tax liabilty for new and growing enterprises which generally are characterized by low profitability during their formative years. [26]

The major argument in favor of the single business tax, of course, was the fact that it would simplify Michigan's relatively complex state tax system on business and industry which included seven different types of taxes on corporations.

The first annual interim report on the single business tax by the Governor's Task Force on the Single Business Tax demonstrated a substantial amount of dissatisfaction with the tax from business itself. A survey of 4,000 firms representing 20 categories of industry showed that nearly two-thirds of the respondants disagree with the Single Business Concept, with over 80 percent disagreeing with the specific formula used. Eighty percent also felt that some industries are over-burdened with the tax. Labor-intensive and service industries, and small businesses are the categories most frequently cited.

Economics Professor Milton Taylor of Michigan State University is even more critical of the single business tax and its implications for job creation in the state. In a recent column in the Lansing State Journal, Taylor wrote:

> "It sounds persuasive,of course, to argue that Michigan's economic wellbeing depends on its ability to attract and hold high technology firms by having a tax system that is biased in favor of capital investment. But there is another side to that coin, and the other side is that the small, labor-intensive firms are being asked to bear the brunt of this incentive that is being given to the large and capital-intensive firms. Thus to the degree that the tax is not shifted forward in higher prices, there is a direct shift in the tax burden from capital-intensive to labor-intensive firms. This problem can be viewed in a different light. One can loosely divide Michigan business into a monoploy sector that is capital-intensive, frequently national and international in scope, and thriving, and a competitive sector that's labor intensive, localized, and struggling How can it be argued that we are making economic and tax progress when we subsidize the first at the expense of the second? Eventually we will have the statistical facts on this tradeoff and when we do, I predict it will look like highway robbery." [27]

OVERLOOKED STRATEGIES AND ALTERNATIVES

Thus far the MESC's projections for a continual decline in the manufacturing sector's share of all jobs in the state seems to be right on schedule for 1980. In 1956, for example, 1,074,000 of the state's 2,349,000 jobs were in manufacturing and totaled 41.5% of all employment. In May, 1976, manufacturing jobs accounted for only 1,038,000 of the 3,193,000 jobs in the state. Not only are there fewer manufacturing jobs in Michigan than in 1956, but they now represent less than a third of the jobs in the state.[28] The Michigan figures in this area are not out of line with national trends that have been at work for a number of years due to the increasing automation and efficiency of manufacturing processes in general and the increasing importance of service and government employment.

In the last section, arguments were presented to show that most policies to correct Michigan's economic problems in recent years have been aimed at promoting and trying to stimulate the manufacturing sector that has been undergoing a long decline in employment in response to gradual changes in the fundemental structure of the nation's economy. For this reason and the fact that Michigan's economy is already over-concentrated in durable goods manufacturing, it seems reasonable to propose that the state make a dramatic shift in its strategies to promote economic development.

To make such a shift, alternatives and strategies that have been overlooked because of this preoccupation with durable goods manufacturing and the tax problems of large capital industries must be examined. It would be impossible to make a detailed outline of all the strategies and alternatives available that would assist in improving the Michigan economy. First, the range of possible alternatives and strategies will not be known until the state undertakes a comprehensive inventory and survey of Michigan's assets, potentials, resources, and liabilities for economic development. There are, however, five notable strategies that Michigan could explore in more detail as promising opportunities. These five could be listed as follows:

1. Promote labor intensive industries, particularily service industries that are under-represented in Michigan and show solid potential for growth. These industries show the most potential for reducing unemployment and also have the added benefit of being lower consumers of scarce energy as compared to capital-intensive heavy manufacturing.

2. Encourage high technology industries, especially those tied to and attracted by the presence of research facilities, consulting and educational institutions.

3. Michigan is within one day's drive of the majority of the populations of the U.S. and Canada. With the energy crunch shortening the traditional American vacation in terms of distances traveled, Michigan will be in a position to greatly benefit from this trend. For this reason, the state should undertake a much more comprehensive effort to promote tourism. Such an effort should include a comprehensive plan for the use, management, and preservation of one of the state's most underutilized resources--the Great Lakes.

4. Promote a regional approach to Michigan's economic problems--not only within but perhaps looking toward a Regional Development Commission with the other Great Lakes state which have economies intertwined with Michigan's. A major goal of such a commission would be returning more federal tax dollars to the Great Lakes states. Currently, Michigan receives only 65 cents back for every dollar it contributes in federal taxes, the lowest return in the country.

5. For certain industries, the availability of water is a key location factor. Michigan has a tremendous comparitive advantage over other states in terms of its water resources and might direct efforts to attract new industry at manufacturers which require large

amounts of water.

Research on the Michigan economy indicates that overall, service industries, particularily those not tied to the local economy, are underrepresented in the state and therefore show potential for growth.[29] The table presented on the following page utilizes a statistical technique called shift share analysis to determine the growth potential of industries located in Michigan. Each industry has been assigned a location quotient that indicates if it is a:

--Specialized industry that has more than its prorata share of employment in Michigan (i.e., the auto industry)

--Non-specialized industry that has less than its prorata share and room for growth to meet the needs of the local (state) market.

According to this analysis of Michigan's Wholesale and Retail, Finance, Insurance, Real Estate, and Service Industries, the state is underrepresented in many categories which are typically labor-intensive. The most obvious shortages and potential growth areas are Educational Services which had only .08 of the employment needed to serve the state market, health services having .44, hotels and lodging with .50, and combined real estate, insurance, and holding & investment offices with .35 of the expected employment.

The promotional efforts to attract a major service industry--for instance the national or regional headquarters of a major life insurance company--might involve an entirely different strategy than the Office of Economic Expansion is currently geared for. Such an effort might push Michigan's amenities to a greater extent--the Great Lakes, four season recreational opportunities, and the cultural and educational resources of the state's major universities and colleges. In redirecting efforts to attract labor-intensive industries the state must also conduct an exhaustive survey of the effects of the Single

Wholesale & Retail		Location Quotient Mich. 1965	1975
50(51)	Wholesale Trade	.70	.78
52	Building Materials & Garden Supplies	.62	.84
53	General Merchandise Store	.82	.75
54	Food Stores	.78	.97
55	Automotive Dealers & Service Stations	.71	.87
56	Apparel & Accessory Stores	.76	1.02
57	Furniture & Home Furnishings Stores	.62	.83
58	Eating & Drinking Places	.65	1.00
59	Misc. Retail	.66	.75
Finance, Insurance, Real Estate			
60	Banking	.74	.78
61	Credit Agencies other than Banks	.68	.85
62	Security, Commodity Brokers & Services	.37	.34
63	Insurance Carriers	.54	.64
64	Insurance Agents, Brokers & Service	.43	.85
65	Real Estate	.31	.54
66(67)	Combined Real Estate, Insurance, & etc., and Holding & Other Investment Offices	.21	.35
Service Industry			
70	Hotels & Other Lodging Places	.42	.50
72	Personal Services	.61	.88
73	Business Services	.66	.75
75	Auto Repair, Services & Garages		
76	Misc. Repair Services	.52	.87
78	Motion Pictures	.45	.55
79	Amusement & Recreation Services		
80	Health Services	.17	.44
81	Legal Services	.25	.78
82	Educational Services	.04	.08

NOTE: There is an upward bias in the Michigan figures of an undetermined amount due to the inclusion of certain employer establishments in the total for 1975 but not for 1965.

by Professor John Mattila, Wayne State University

Business Tax. If the statistics do prove that labor-intensive industries are being unfairly burdened then this situation should be corrected as soon as possible and tax policies even reversed to offer actual incentives for labor-intensive industries. Any policy which clearly has negative implications for sectors of the economy that offer the most potential for growth is counterproductive to the basic goal of reducing unemployment and increasing diversity in the state's economy.

Labor-intensive industries also offer an added attraction of by nature being relatively low consumers of energy. Since Michigan already must import 96 percent of its energy consumption, the state does not need any more industries that are heavier consumers of energy such as the automobile or chemical industries.[30] "We must be careful to attract labor-intensive industries to Michigan," State Energy Chief Michael Divley said recently in a radio interview on station WJR-Detroit.[31]

The second major strategy involves attracting certain high growth, high technology industries to the state. New England fought its economic stagnation caused by departure of traditional textile industries to the south by attracting these types of industries particularily along Route 128 outside of Boston. The Michigan Economic Action Council report points out that the state has many comparative advantages that would be appealing to high growth technology-oriented firms. These include a highly skilled labor force, a fully developed network of industrial suppliers and subcontractors, an excellent highway system, a location near to major American and Canadian markets, and a system of higher education that includes many distinguished institutions and individuals.[32]

Another attractive feature about these industries is that they tend to spawn and have need of service industries that Michigan is currently underrepresented in. Service industry employees associated with research facilities, professional consulting, and educational institutions are examples.

The third major area for attention is the tourist industry in general, and the Great Lakes as a unique natural resource and attraction in particular. The tourist industry is already one of the state's largest industries, however, with the state's proximity to major population centers in the northeast and midwest coupled with the energy crisis it has a potential for becoming much more significant in the future. Because of the energy crisis, the American family will probably be taking vacations closer to home and Michigan is in a unique position to capitalize on this. The Upper Peninsula offers one of the few extensive semi-wilderness regions east of the Rocky Mountains, and the state can boast 3,000 miles of Great Lakes shoreline--more miles of coastline than any other state except Alaska. Michigan touches on all except one of the Great Lakes which are unique as being the largest bodies of freshwater in the world. Michigan has not pushed the unique historical, cultural, scenic, and recreational attributes and attraction of the Great Lakes coastline the way other states such as Maine, New Jersey, North and South Carolina, Florida, California, and other states have promoted their coasts. To utilize this unique asset, the state should consider developing a comprehensive plan for use, management, and promotion of the Great Lakes shoreline. Such a plan might include public acquisition and development of major zones along the shoreline that are unique scenic, cultural, ecological, and historical resources, along with development plans that could channel growth to serve tourists in nearby villages and towns.

There are other angles to explore in expanding the tourist industry in Michigan--including the state's easy access to a foreign country (Canada), the attraction automobile museums and early carriage and auto factories might have to the tourist from outside the state. Flint is currently attempting to preserve historical buildings that were once the offices of the Durant-Dort carriage works--a key predecessor of the auto industry in that city. Historic preservation of significant buildings often brings tangible economic benefits to an area and should be actively encouraged by the state of Michigan.

The fourth strategy is to promote a regional approach to combating Michigan's economic problems. As stated earlier, each region in Michigan is different and offers varying potentials for economic development.

One of the most curious and perhaps critical economic problems Michigan faces is the fact that it gets back only 65 cents of every tax dollar it sends to Washington in the form of personal and corporate income taxes. By comparison New Mexico get back $1.93 for every dollar it sends to the federal government. It seems rather tragic that the state that has had the highest unemployment rate for several years running and also has an unemployment rate consistently above the national average would get the least amount of return on its contribution to federal taxes. The reasons for this anomoly are complex involving the system of transfer payments to individuals, federal revenue sharing, categorical grants to state and local government, government investment and purchase of state products, and many other factors. This problem deserves much more research and active political lobbying to correct the situation.

One strategy to ease this inbalance is a recent proposal by Governor Willian Milliken to form a regional development commission involving the lower halves of the states of Michigan, Wisconsin, and Minnesota--states which have much in common geographically and economically and all receive less in federal dollars than they contribute in taxes. The upper sections of these states already belong to the Upper Great Lakes Regional Commission--an organization that has already channeled $22.6 million in federal dollars to 45 Michigan counties in the 10 years of its existence.[34]

A regional development commission including southern lower Michigan has much to offer the state besides increased federal dollars. It could also result in cooperative efforts between the three states to work on mutual problems. Perhaps promotional resources of the three states could be pooled to advertise the entire region as prime vacationland in America's heartland. Other regional commissions such as the New England and Appalachain commissions have helped to foster strong regional identity and focus national attention on the problems of these areas.

The final strategy involves finding ways to use one of Michigan's top comparitive advantages for the location of industry--its superb water resources. Michigan's plentiful supplies of the water resource place it at the very top in comparison to other states.[35] This factor has important implications in the state's ability to compete with other regions of the U.S. for new industry, particularily the southwest where explosive growth has occurred as part of the "sunbelt" movement over the last 10 years. Many parts of the southwest are facing severe shortages of water to meet the needs of industry and population growth and it is possible that this will greatly restrict growth in the future.

To take advantage of this natural advantage, Michigan should make an inventory of industries which require large amounts of water in production processes and concentrate efforts to attract new industry on those which have heavy water needs. The paper industry is one such example and paper manufacturing already has a significant prescence in the local economy of Kalamazoo. It is possible, however, that some water-intensive industries might also be energy-intensive industries or contribute to water pollution.

As with any effort to bring about change in the Michigan economy, all the potential costs, benefits, and implications should be assessed.

This list of potential strategies is by no means complete. The major goal in presenting a brief list and analysis of strategies and alternatives for improving Michigan's economy is to stimulate interest in a new direction for these efforts, along with creative discussion, debate, and research.

SUMMARY AND RECOMMENDATIONS

To a great extent, the fortunes of the Michigan economy depend now on auto manufacturing--an industry that has not provided significant new employment in 20 years, is very sensitive to national business cycles, and faces much uncertainty in the future. Because of this, the state has suffered consistently high rates of unemployment in recent decades.

Excessive concentration of employment in the auto industry seems to cause instability in the Michigan economy, impacts other industries and services trying to operate in the state. Such over concentration in one industry might also contribute to a lack of cultural diversity in the state which in turn helps to re-enforce the problem of non-diversity in employment. Cyclical instability of the Michigan economy increases risks for new businesses trying to gain a foothold in the local economy and partly for this reason, the state is under-represented in certain retail and service industries.

There is evidence that Michigan had a much more diverse manufacturing base as recently as the 1940's. It is possible that rapidly expanding employment in the auto industry during the 1940's and early 50's along with the high wages of the industry made it more difficult for more labor-intensive and low-wage industries to compete for workers. One lesson to learn from the state's history of economic development is that a local or state economy is something like a fragile biological eco-system. The balance in an economy can be upset and permanently damaged by growth that is too rapid as well as stagnation caused by outside factors such as an energy crisis, or changing technology.

Unfortunately, actions taken at the state level to improve Michigan's economy have been aimed at providing incentives for capital-instensive industries.

like the auto industry and not the labor intensive industries that would seem to offer many benefits to the Michigan economy beside offering the greatest potential for long term growth. Employment projections for the manufacturing sectors almost universally forecast a long gradual decline in the relative importance of manufacturing employment in both the Michigan and national economy. Thus it would seem logical that statewide economic development policy search for measures that will encourage sectors of the economy that have potential for growth, and potential for easing the state's severe unemployment problem.

Because past measures have focused on a limited range of possibilities for improving the economy, it is recommended that the state prepare a comprehensive plan for actions that can be taken to provide "growth with stability" in the Michigan economy. Such a plan should define the problem, set goals for economic development in Michigan, gather more data on the assets and potentials of Michigan, formulate a series of policies designed to diversify and stabilize the economy, analyze the costs, benefits, implications of various alternatives, and offer methods of implementation.

Five strategies have been identified in this paper as offering potential for revitalizing the Michigan economy. These include:

1. Promoting labor intensive industries.
2. Encourage high technology industries oriented to research and educational institutions.
3. Make a greater effort to promote tourism and emphasize the unique natural asset of the Great Lakes and shoreline.
4. Begin to look at a regional approach to solving the states's economic problems.
5. Emphasize Michigan's abundance of water as an important locational attraction to industry.

This is only a partial list of the many strategies that could be taken. The range of possible alternatives will only be known when there is a more comprehensive inventory and research into the problems, and potentials of the Michigan economy. The Economic Action Council report recommends that an Institute for Economic Development be established and funded as a cooperative effort between state government, the major universities, and the private sector. Such an organization could bring about creative research and planning for the Michigan economy. But whatever route is chosen, there must be some action and redirection in efforts to improve the economic situation in Michigan. Increasing numbers of youths, women, and minorities will be entering the labor market through the early 1980's and the prospects for the Michigan economy being able to provide jobs for all or even a majority of these new entrants are uncertain at best, and possibly quite bleak. Clearly, it is time for a new direction in planning for positive change in the Michigan economy.

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