

MIRS Capitol Capsule
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Report: MI's Knowledge-Based Economy Still Lags

A new report tells a familiar story. Michigan lags behind in the new knowledge-based economy and needs to adjust tout de suite.

The non-partisan Michigan Future Inc. had the same assessment today that it did in its 2006 report: The state needs an infusion of young college-educated young people, who are drawn to unique cities.

"Our bottom line, as always, is that Michigan has to get younger and better educated or we'll get poorer," said Michigan Future President Lou **GLAZER**.

To demonstrate this point, Glazer showed research pinpointing the state's economic decline since 2000. Then and in 2006, Michigan ranked 34th in the percentage of college graduates. But the state's per-capita income slid from 16th to 26th during this time, he said, because it hasn't kept up with the new economy.

Even though Michigan lost thousands of jobs, it did see a small increase from 2001 to 2005 in high-paying jobs that require a college degree.

Glazer said state government has not charted a good course for Michigan considering the deep state cuts to higher education and revenue sharing to local governments.

"That is not a smart strategy," he said.

But Glazer said there was a silver lining to Michigan's continued bleak economic news: "I think it's an old Chinese proverb: 'If you don't know where you're going, all roads lead you there.'"

Lansing Regional Chamber of Commerce President Bill **SEPIC** also was looking on the bright side, noting that Lansing has several colleges, including the research haven of Michigan State University. He also pointed to new downtown housing in Lansing aimed at the young and educated.

"I see nothing in this report but opportunity," Sepic said.

It's the biggest cities that are the winners in the new economy, like Seattle, San Francisco/San Jose and Boston. Glazer also noted few of these areas have balmy climates.

What they all have in common is a high proportion of wages from knowledge-based industries, a high proportion of college grads and a big metro area with a higher per capita income than the state average.

But there's still hope for cities like Lansing, Detroit and Grand Rapids.

"This stuff is doable in Michigan," Glazer said.

Which city is the No. 1 city for Lansing to emulate? Madison, Wisc., which also sports a Big Ten School. But 52 percent of its residents have college degrees, a full 30 percent higher than Lansing. Correspondingly, Madison residents have a \$38,302 average per capita income compared to \$29,683 in Lansing.

New technology startups and alternative energy companies aren't the magic bullet, Glazer said. The growing knowledge-based industries are education, health care, insurance and finance.

Don **GRIMES** of the University of Michigan's Institute of Labor and Industrial Relations, called on the business community to take the lead in creating cities with parks, arts and unique neighborhoods that people want to live in. He said Downtown Development Authorities are being proactive.

Michigan currently has it backward, said Grimes. The state is focuses on attracting employers with tax breaks, figuring educated workers will follow. But college grads typically move to cities they want to live in first — and then find a job.

Steve **LINDER** of Sterling Corp. said it's important for Michigan to maintain its manufacturing base, which has been historically important to the state.

"During the last transition, we were Silicon Valley," Glazer said of Michigan's auto industry. But he said it's time to adjust, just as the state did at the turn of the last century, moving from an agricultural-based economy to manufacturing.

Sen. Gilda **JACOBS** (D-Huntington Woods), who started the Talent Caucus along with Sen. Jason **ALLEN** (R- Traverse City), said she's optimistic about Michigan's future. The No. 1 roadblock, she said is the history of kids graduating from high school and expecting to land a good-paying job at a factory.

"I honestly don't think we've had the culture of education so many other states have had," Jacobs said.