

# Economic report pessimistic about West Michigan

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## West Michigan Business Beat

By Ben Rudolph

GVSU

rudolphb@gvsu.edu

“Change is inevitable, growth is intentional.”

— Glenda Cloud

A newly released economic report entitled A New Agenda for a New Michigan commissioned by non-profit Michigan Future Inc., and partly funded by the Frey Foundation, is extremely pessimistic about Michigan in general and is especially pessimistic about the economy in the western side of the state. According Lou Glazer, president of Michigan Future, West Michigan is likely to look a lot like West Virginia in the relatively near future.

The complete report is available as a download from <http://www.michiganfuture.org>.

Just in case any reader is inclined to dismiss this report as the work of radical alarmists, you should know that the Michigan Future Leadership Council, which commissioned and published the report, includes Frey Foundation President Milt Rohwer, Paul Hillemonds, who is currently with DTE Energy, and Richard Blouse, president and CEO of the Detroit Regional Chamber of Commerce. That is hardly a radical or alarmist roster. Perhaps this report should be given serious consideration.

Why are the economists so negative about West Michigan's future?

Simply put, West Michigan lacks knowledge industry jobs and is in a weak position to attract knowledge industry participants. Instead we have been replacing manufacturing jobs with service sector jobs — not an economically beneficial trade.

The U.S. economy, contrary to popular belief, has been busy creating large numbers of very high paying knowledge industry jobs. Unfortunately, only a few of these new high paying jobs presently exist in West Michigan. We are unlikely to develop these jobs in this region if we continue to focus on the old economy that no longer exists rather than the new world economy as it actually exists today.

The report indicates that the high paying jobs of the future are in information, finance, insurance, professional and technical services, and in the management of companies. The average job in these fields pays double the per capita average salary in the U.S. According to the Michigan Future report, West Michigan lags in all of these areas and is not likely to catch up without radical restructuring. As of now, just 13.6 percent of West Michigan's earnings come from knowledge jobs. This contrasts with 22.8 percent of the Detroit area's earnings.

So as manufacturing jobs get automated out of existence — an inevitable and unstoppable process — we tell our local people to go work in retailing or health care service jobs. That is a prescription for a pretty marginal standard of living which only recycles money already existing in the area and does not gain revenue from the rest of the world.

Why haven't we developed high paying knowledge industry jobs?

The report addresses this question in detail. A quick summation is that the anti-intellectual, anti-education, insular, xenophobic, homophobic, religiously intolerant, or outright racist attitudes of much of our regional population deserve much of the blame for our economic woes. Essentially, we have placed a big "Not Welcome" mat in front of our door.

Unfortunately, these ingrained negative attitudes run across almost all social classes in West Michigan. It runs from blue collar people who do not want to work or socialize with non-Christians or foreigners to a business elite who does not want to deal with or accept outsiders unless the outsiders are willing to partner with members of the elite or live here for a generation or two. Time and again our elite has shown itself as being more interested in maintaining political and economic control than in the economic well being of the area.

Additionally, our high school and college graduation rates trail the rest of the country. Did you know that the high school dropout rate in the city of Grand Rapids is approaching 50 percent? The average per capita income in West Michigan is significantly less than that in the eastern part of the state and trails the national average by a large margin.

Why would an employer with the need for a diverse, highly educated workforce gathered from around the world want to come here? Some of these outsider types may not even be interested in good hunting, fishing or camping. They also may not be excited about a faith-based cultural life, especially if the local faith is not the one they themselves practice.

What knowledge-based employers seek is an accepting and diverse community offering the cultural amenities appreciated by the affluent and educated employees they are attempting to attract.

Moreover, since their products are non-tangible, the Internet allows these entrepreneurs to settle almost anywhere they please. They therefore tend to go to where they themselves want to live. In other words, they want a rich and diverse cultural life, lots of great shopping, a great variety of entertainment, and highly educated and open-minded local workers.

As the Michigan Future report makes clear, low wages and low taxes are not of great interest to these employers. Knowledge entrepreneurs want many lifestyle amenities available to them but they are very affluent and operate in markets that are relatively insensitive to price considerations, so they are willing and able to pay for their desires. In fact, knowledge businesses would not be able to hire the creative people they want and need if they were not located in an area that was very tolerant and offered these amenities. That is why they tend to settle in Seattle, Boston, New York, and San Francisco. None of these places are exactly known for their low wages or low taxes.

Can a smaller community attract knowledge industry employers?

The New Agenda for a New Michigan report is full of examples of smaller communities that have attracted a considerable amount of knowledge-based employment. The report specifically focuses on Omaha, a town which at first glance is not all that dissimilar to Grand Rapids. Nonetheless, Omaha has been able to develop a significant knowledge industry base by creating an extensive array of cultural and diversity programs and by making the city into a very

desirable place to live. (Thank you, Warren Buffet!) The country is dotted with many similar success stories. (Just look at Colorado.) If you want to keep the comparison within the state, contrast Grand Rapids with Ann Arbor. Where did Google actually choose to locate their Midwest operations?

No quick fix exists. Public schools have to be vastly improved and generously supported. Higher education must be supported in a very serious way. Programs must be put in place to support cultural and religious diversity. The report indicates that such programs may take decades to become effective. The problem will still exist no matter who is elected governor. This is basic economic restructuring which, as we have already started to see, is always very painful.

In the meantime, Michigan, particularly West Michigan, is likely to suffer mightily. The old manufacturing economy was wonderful and we should strive to retain as much of it as possible. But if it is to survive, manufacturing can no longer be labor intensive. So the glory days of high manufacturing employment are about over.

It's blowing in the wind my friend

It is egotistical of me to point this out, but aren't the findings of this major study pretty much in line with what I having been saying in this column for years? Few have listened or paid much attention except to write to tell me that I should be more of a booster or public relations person for West Michigan and to warn me to refrain from being so painfully candid in a public newspaper column. Let us now see what the impact of the New Michigan Study may be.

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