

What's the model — Alabama or Minnesota?

Both states do well on jobs, but take a look at other stats

The tax and spend decisions Lansing is making today will impact the state's economy for years. With stakes so high, the question we should answer first is:

"If our strategy works, what would the Michigan economy look like?"

At the think tank I lead — Michigan Future, Inc. — our answer is a high-prosperity Michigan. A Michigan with lots of middle-class jobs that gives each of us a real opportunity to realize the American Dream. A Michigan with a per capita in-

come above the national average no matter how the national economy is far-

ing.

We enjoyed this status for most of the last century. Today we are consistently below average in both national upturns and downturns.

Let's look at two states — Alabama and

Minnesota — to understand why high prosperity, not low unemployment, is the right measuring stick. Both states had a 2006 unemployment rate below the national average:



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3.6 percent in Alabama, 4 percent in Minnesota.

But that's where the similarity ends. Alabama's per capita income is \$29,623, its poverty rate is 17 percent and just 21.4 percent of its adults have a four-year degree. In all three categories, Alabama ranks substantially below Michigan.

Minnesota, on the other hand, is substantially better than Michigan — and Alabama — in each. Its per capita income is \$37,322, its poverty rate is 9.2 percent and 30.7 percent of its adults have a four-year degree.

We want Michigan to move in the direction of Minnesota, not Alabama. So what policies should we pursue?

Not tax cuts! Alabama has the lowest combined state and local taxes in the

nation, ranking 50th in both taxes as percentage of personal income and taxes per capita. They have the lowest taxes — and a per capita income \$3,000 less than Michigan.

Minnesota's per capita taxes are \$1,400 higher than Alabama — but its per capita income is \$7,700 a year higher than Alabama. So much for the theory that low taxes leads to a strong economy!

The bottom line: You can't get Minnesota's economy by adopting Alabama's policies.

The real key to economic growth is talent. Successful areas have high concentrations of talent, where talent is defined as a combination of knowledge, creativity and entrepreneurship.

Minnesota has it. Alabama — and Michigan — do not.

The single most important

thing policy makers can do to pool talent is to ensure the long-term success of a vibrant and agile higher education system. Our higher education institutions — particularly major research institutions like Michigan State University — are the most important assets we have to develop the concentration of talent needed in a knowledge-based economy.

There are other keys to retaining and attracting talent. Developing vibrant central city neighborhoods is critical to drawing young talent. So is being welcoming to all, including immigrants.

We need to stop cutting taxes and start making the public investments that will prepare, retain and attract talent. Only then will Michigan once again be a high prosperity state.

