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Michigan population council says out with the old and...in with the old

December report brimming with stale ideas

By Michael D. Lafaive | January 2024

The new report from Gov. Gretchen Whitmer's Growing Michigan Together Council offers up old ideas and asserts that they will be effective at reversing Michigan's population decline. The report's authors offer little evidence that these recommendations will succeed and ignore the mountain of evidence to the contrary.

There is much wrong with the report. Its first recommendation is to "establish Michigan as the Innovation Hub of the Midwest and America's Scale Up State." This sweeping section suggests Michigan create "a robust innovation ecosystem that will create, scale and grow high-wage jobs." This plan will require "a significant investment in the state's entrepreneurial ecosystem."

The state needs an "expanded capacity in Michigan's business incubation and accelerator network to support business scaling," the council says. Yet it offers no evidence that the current network has succeeded or that expanding it would be better. They just declare that expansion is necessary for growth and opportunity.

But scholarly evidence indicates that business incubation centers are actually ineffective.

A 2010 study from Syracuse University, "Boon or Boondoggle? Business Incubation as Entrepreneurship Policy," studied the effectiveness

of private and publicly funded incubators from 1990 through 2009, 32 of which were located in Michigan.

"Incubation is not associated with a major increase in survival, employment growth, or sales growth of new ventures on average," the Syracuse study reports. Firms that are incubated actually have slightly lower survival rates than their non-incubated sisters. Expanding the current incubation may have a negative impact on jobs.

Another idea is to create an "evergreen fund" to subsidize "high-wage, high-growth industries" (such as electric vehicles, green technology and healthcare). This will "transform the state's entrepreneurial and innovation ecosystem and drive business growth," according to the Growing Michigan Together Council.

“**Subsidizing high-technology and green technology has also been tried before and has failed to varying degrees.**”

“Evergreen” is presumably a fund with no end date. But the state has effectively tried that already, too.

Gov. Jennifer Granholm’s administration also wanted a self-sustaining economic development fund and created the 21st Century Jobs Fund to meet its goals. Such a fund would make the state “a world-wide center of research and innovation,” Granholm argued in 2005.

Investments from the fund were also limited to a few areas but included advanced automotive and alternative energy technology as well as life sciences technology. The legislation to birth the fund said that it was intended “to create jobs,” among other goals.

Sound familiar?

The fund never lived up to its hype, even if it did create jobs. The Mackinac Center reported in 2020 that the fund’s expenditures created only one job for every \$274,000 to \$330,000 in incentives offered. The state could pay people to stay home for much less than that.

Subsidizing high technology and green technology has also been tried before and has failed to varying degrees. The former Michigan Economic Growth Authority program authorized 229 “high-tech” corporate deals during the life of the program.

There were 162 “high-tech” handout deals dismissed outright from the program, having never earned their tax favors, according to a 2017 auditor general’s report. Another 41 were still being monitored when the auditor published his report. In other words, few

appear to have succeeded. They did not necessarily cost taxpayers a dime, but it is still evidence of the state’s failure to pick winners in the marketplace. Six studies have been performed about the job program’s efficacy. Five of them found zero to negative impacts. Another study described the program as a debacle.

And these are hardly the only instances where some fiscal favor accrued to others in the name of creating jobs and opportunity but ultimately failed. The lists are often long and sometimes deeply embarrassing to Lansing politicians and their lieutenants.

Economists have studied state government’s attempts to improve their economies through spending on entrepreneurship, business start-ups and other special favors for particular industries. None have found that this spending drives states to become national leaders in growth, as the population growth council intends.

There are better ideas for growing Michigan’s population — such as economic freedom — and these are much better supported by independent scholarship.

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