



## The Wizard of Oz Has No Clothes

By Michael D. LaFaive

### Summary

Before adding to any of the state's "job creation" programs, there should be a full accounting of the existing programs, their expenditures and the actual number of jobs they have, or have not, created. What better time than Sunshine Week to see if the emperor is actually wearing anything?

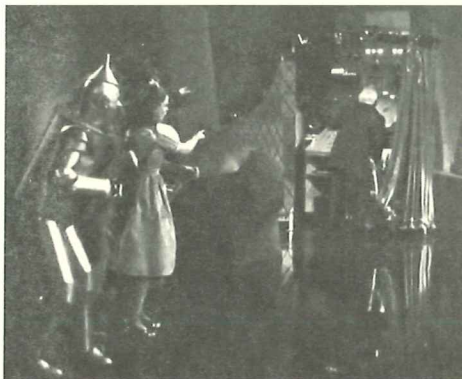
*Main Text Word Count: 733*

Since 1999, Michigan has operated its Economic Development Corporation and a litany of other expensive programs designed to create or keep jobs in the state. According to Gov. Jennifer Granholm's 2008 State of the State Address, more such programs are in the offing. These efforts call to mind two popular tales — "The Wizard of Oz" and "The Emperor's New Clothes" — because they represent a marriage of blustery theater and a deliberate disregard for reality.

For instance, MEDC officials and their apologists want us to believe that these programs "create" jobs. The truth is that while the MEDC was appropriated more than \$1.6 billion in federal, state and other dollars to facilitate its mission, Michigan between 1999 and 2006 shed 244,000 jobs and our unemployment rate is the highest in the nation at 7.6 percent. Scrutiny of MEDC job creation claims may lead the public to wonder why the department even exists. Perhaps this is why legislators have tweaked language in the state budget guiding audits of MEDC job creation claims.

Prior to 2008, boilerplate budget language read that the MEDC "shall work with the office of the auditor general to implement procedures to annually audit the number of jobs claimed to be created by firms." For some reason the text was changed for the current state budget, which reads that the MEDC "may implement procedures to annually audit the number of jobs claimed to be created by firms." What had been mandated is now optional, and the reference to working with the auditor general was stripped away.<sup>1</sup>

One has to question the wisdom of allowing the MEDC to audit job creation it claims to have influenced. In fact, March 16 marks the beginning of "Sunshine Week" — which represents a commitment to more transparent government — and seems a perfect time for Michigan residents to ask what their state legislators are doing behind the curtain. If they're hiding the fact that these development programs fail to create net new jobs, it would not be the first time such claims did not square with reality.



"Pay no attention to that man behind the curtain. The great Oz has spoken," thundered the Wizard in the 1939 classic movie "The Wizard of Oz." Lansing's economic development wizards want the public to simply take their job count claims at face value, but we should not. It's time to pull back the curtain with a full audit of the MEDC and its job creation claims.

©2005 Turner Entertainment Co.

<sup>1</sup> The author attempted to obtain an explanation for this change. He contacted the offices of six legislators involved in the conference committee on Senate Bill 229, where the language is contained. One legislative aide promised an explanation, but never called back. Two offices spoke to the author, but provided effectively conflicting information. The author also contacted the Senate Fiscal Agency, the auditor general's office and the MEDC. The first two organizations spoke to the author, but neither could provide a clear reason for the language change or identify who requested it. A source at the MEDC said they did not request the change.



In 1993 and 2003, Michigan's state auditors criticized the state's development agencies for their job creation claims. For instance, in 2003 the auditor general reported that recipients of MEDC job training grants were supposed to have created 635 jobs, though only 222 were verifiable.

In 2004, it was claimed that the Michigan Economic Growth Authority created more than 28,000 jobs. Finding those numbers suspect, I made repeated attempts to obtain an explanation from the MEDC. Those requests were either ignored or rebuffed until several state legislators practically compelled the MEDC to explain itself. Once it did, it was clear that the jobs numbers were practically pulled out of thin air.<sup>2</sup>

This was not the only example of the agency trying to take credit for jobs that did not exist. The Hemlock Semiconductor Corp. in 2004 actually disavowed jobs creation claims made by the MEDC on a project for which it had received a MEGA deal.<sup>3</sup>

In 2003, state Republican leaders argued in a press release and conference that they would "fight for every Michigan job," in part by extending the MEGA program. The Mackinac Center ultimately acquired the GOP's internal strategy plan for their jobs fight. It contained descriptions of the "political value" and "press value" of their ideas, but little about the economic value. This undermines their claim to caring about every job, giving the impression that they cared more about jobs-related public relations.

If such programs are little more than public relations opportunities whose actual impact must be hidden, why do they continue?

The answer is simple: Politicians don't care about job creation as much as they care about the perception of it. That is why it is so important for the political class to quash any reasonable accounting of job-creation claims. The naked truth is that the public might realize lawmakers are not job-creating wizards capable of great feats, but are more like the tired old man trying to distract his audience with fire and smoke, praying there are no "Totos" around to pull back the curtain.

In honor of Sunshine Week, the state Legislature should pass a supplemental appropriation for the auditor general to conduct a thorough audit of the MEDC and its job creation claims. Doing so will make the department's work more transparent at a time when the governor wants to expand its responsibilities.

#####

**Michael D. LaFaive is director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich.** Permission to reprint in whole or in part is hereby granted, provided that the author and the Center are properly cited.

<sup>2</sup> See the Mackinac Center study "MEGA: A Retrospective" for more on these subjects on pages 24-25 and Appendix D.

<sup>3</sup> Ibid. p. 59.

*The answer is simple:  
Politicians don't care  
about job creation as  
much as they care about  
the perception of it.*



**Attention  
Editors and Producers**

Viewpoint commentaries are provided for reprint in newspapers and other publications. Authors are available for print or broadcast interviews. Electronic text is available at [www.mackinac.org](http://www.mackinac.org). Please contact:

Michael D. Jahr  
Director of Communications  
140 West Main Street  
P.O. Box 568  
Midland, Mich. 48640

Phone: 989-631-0900  
Fax: 989-631-0964  
[www.mackinac.org](http://www.mackinac.org)  
[Jahr@mackinac.org](mailto:Jahr@mackinac.org)