



MichiGONE: New Migration Data Dark and Portentous

By Michael D. LaFaive and Michael Hicks

Summary

According to several sources, Michigan continues to lose population at a rapid pace. This trend can be reversed if the Legislature would reform the state's tax, labor and regulatory climate.

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A confluence of data released by the Mackinac Center for Public Policy, the U.S. Census Bureau and the private, for-profit United Van Lines underscores a frightening trend in population losses related to the Great Lakes State. The trends cry out for recommendations for reversing Michigan's economic decline.

The most recent set of data, released Jan. 5, 2009, involves United Van Lines migration numbers. Since 1977, UVL has tracked where the firm takes its customers in the 48 contiguous states. Several years ago, Mackinac Center scholars performed a statistical analysis of this data against actual Census data and found the two to be very highly correlated.

According to UVL, Michigan is the number one outbound traffic state for 2008. Nearly 67.1 percent of all Michigan-related United Van Lines traffic was leaving the state. Michigan has opened up an 8.2-percentage point lead over the state with the second-highest outbound traffic, North Dakota. Historically, it was North Dakota that held the number one outbound slot in UVL data, or ran a very close second to Michigan. Not anymore. Michigan residents are galloping away at rates unmatched elsewhere, according to UVL.

In December 2008, Census Bureau data indicated that for the third year in a row Michigan lost population in net terms (from July 2007 to July 2008). After accounting for births, deaths and in and out-migrants, Michigan lost more than 46,000 residents.

Center analysts have long had an interest in migration because there may be no better single metric for summing up quality of life issues. Last year, the authors surveyed the academic literature on migration to identify some of the most prominent factors that induce people to move. We then created a Michigan-specific model in an attempt to learn what is driving people from our borders.

Our model found that the per-capita state and local tax burden played the most significant role in the decision of people to leave the state. Tax policy, the evidence suggests, influences business investment, job creation and economic opportunity. We found that for every 10 percent differential in per-capita personal tax burden between Michigan and other states,



It is hard to imagine that the irony of a Michigan Works! office next to empty storefronts would be lost on anyone. Michigan Works! is a state-funded workforce development agency. Last year, its offices in Cadillac and Traverse City helped a private group find Michigan workers willing to move out of state. For more on this, see "State Works at Cross Purposes" on the Mackinac Center Web site.

Photo credit: Eric Tubbs

4,700 of our compatriots flee the state every year. Michigan's 11.5 percent personal income tax hike in 2007 probably contributed greatly to recent Census data highlighting Michigan's population losses.

We also found that for every 1 percentage point increase in Michigan's unemployment rate, an additional 900 people leave Michigan every year. Michigan's unemployment rate has increased from 3.2 percent in March 2000 to 10.6 percent in December 2008 and is expected to rise even higher in 2009. It is probably not a coincidence that Utah, with one of the nation's lowest unemployment rates, was also the state with the highest population growth. These rates advertise relative economic opportunities be they good or bad. For more on our model's results, see "Point of Departure" at www.mackinac.org/10097.

Other institutions have also looked at economic well-being and migration. In 2008 the California-based Pacific Research Institute updated its economic freedom index, which ranks states based on their economic liberty. Michigan has plummeted from 27th in PRI's first index in 1999 to 41st through 2007. It's probably not a coincidence that Michigan's economic fortunes declined with its economic liberty. PRI then examined migration patterns and found that people overwhelmingly choose to move to the 20 freest states as opposed to the 20 least-free states.

Some may be tempted to dismiss Michigan's migration issues as a simple function of current auto industry woes, but they should not. The state of Indiana has more autoworkers as a percentage of its working population than does Michigan, yet its population grew according to Census data, and was an inbound state according to United Van Lines. Moreover, the demographic of autoworkers is not consistent with emigrants, as autoworkers are typically older and have less formal education.

It is not possible to list here all of the bad public policy decisions made in Lansing over the past decade that have helped drive people out of Michigan. If policymakers continue to push the wrong buttons with higher or more complicated tax and regulatory schemes, even more people will flee the Great Lakes State. If legislators want to reverse our population and economic losses they should eliminate the Michigan Business Tax wholesale and pass right-to-work legislation just for starters.

Visit www.mackinac.org/10154 for 101 recommendations on how to revitalize Michigan.

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