

## Five key topics for Northern Michigan in 2010

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Michigan has now endured nine years of a terrible economic decade—one that invites comparisons with the Great Depression for the severity and length of economic loss. However, even during these years, Northern Michigan has managed to move ahead on several fronts. As we plan for 2010, we should ask ourselves how Northern Michigan can improve itself even if the state continues to falter.

In our opinion, Northern Michigan has tremendous assets that will enable this area to outperform the rest of the state over the next few years. Seizing the advantages we have in this part of Michigan—and using them properly—is the key to doing well in a difficult time. From our work in this area, including several market and feasibility studies for private clients, as well as assessments of the underlying industry and employment base, we can confirm quantitatively what everyone here already knows: Northern Michigan is different than Southeast Michigan, different than Lansing, and different from the rest of the country.

Those differences create opportunities and burdens. Let us briefly consider five topics that will help determine success or failure in the upcoming years: business tax burdens; high-tech industry clusters; the quality of life found in Michigan; the changing economic base; and turning Michigan around.

**Business tax burdens.** Employers seek locations with good work forces, access to markets, and competitive costs. Taxes are part of those costs, and one where Michigan as a whole needs improvement. According to our annual *State Business Tax Burden Rankings* business taxes as a share of profits earned within the state in 2006 were 15.5%, compared to the national average of 16.7%. Since then, we've raised business taxes, pushing us farther away from lower-tax competing states like Ohio.

For Michigan's employers and investors, that is just not good enough. While tax burdens are not the only factors considered by those who invest, they are something that we directly control. We must improve our tax climate as we look to 2010.

**High-tech industry clusters.** Our state has powerful high-tech assets in place. Regions like Automation Alley, projects like the Facility for Rare Isotope Beams (FRIB) at MSU, and research and development conducted by the University Research Corridor (MSU, UofM, and Wayne State), are some of the best in the nation. These centers are leading the way bringing revenue and technology to the state in industries that have room to grow, and will be essential to our state in the future. Although the best-known centers for high-tech in Michigan are likely to be outside this region, we are already using such technology in our life sciences, energy, and other industries. To be successful in the future, Northern Michigan should connect with these clusters, and foster growth in this region where possible.

**The quality of life found in Michigan.** The State of Michigan is uniquely positioned to draw new residents to our state based on the quality of life found here. Our state contains urban and metro areas, rural beauty, and safe and affordable neighborhoods. Michigan is also home to great universities. At the same time, residents here are never more than a few hours from the lake shores surrounding Michigan. Quality of life—and quality of place—are key differentiators for talented entrepreneurs and employees. Northern Michigan recognized this some time ago, and we must continue to enhance this economic advantage.

**The changing economic base.** The Michigan economy has changed. Unfortunately, is it not possible to build a future for our state on the assumption that we can bring back the past. The failure of our state government’s leaders to address this has produced repeated fiscal crises, tax increases, and dissipated opportunities.

In Northern Michigan, however, the new Michigan economy is being built today. This region provides an example for the rest of the state of how to use the assets we have in the 21st century, rather than dwell on the fact that the 20th century has passed. This is primarily a state of mind, not a change in policy. Looking ahead, the rest of the state should evaluate the forward looking thinking found here.

**Turning Michigan around.** In Northern Michigan, we can’t wait for leadership in Lansing, or for the automobile industry to return to its former glory. We can, however, continue to do our part to pull Michigan out of its slump. Job opportunities, education, and quality of life will dominate personal and business choices in the coming years. Michigan has all the right components of a state that is ready to attract, grow, and prosper—if we take decisive action. Improving our business climate, adopting a stable game plan for the future, and getting our government finances under control, will help Michigan residents and those considering Michigan to see a positive state. Northern Michigan citizens, like those in the rest of the state, must make extra effort to ensure that our elected officials address our serious problems in the years to come.

Northern Michigan is blessed with quality of life and burdened with the legacy of a poor state economy and an under performing state government. However, we can’t let that stop us from making the next decade a good one for everyone that lives or works in this beautiful part of the country.

*Anderson Economic Group, LLC is an economic consulting firm specializing in public policy, business valuation, and market analysis. AEG is located in East Lansing, Michigan; Chicago, Illinois; and Los Angeles California. For more information, please visit [www.AndersonEconomicGroup.com](http://www.AndersonEconomicGroup.com).*