

Ideas for Michigan's Economic Development

Timothy J. Bartik
Senior Economist

W.E. Upjohn Institute for Employment Research
bartik@upjohn.org

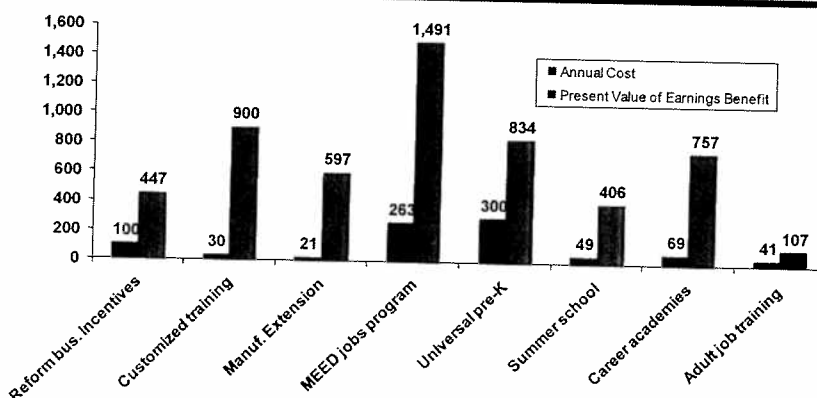
February 10, 2010

Testimony to New Economy and Quality of Life Committee,
Michigan House of Representatives.

Note: This summarizes a full paper, available as Upjohn Institute working paper 09-160.

W.E. UPJOHN INSTITUTE
FOR EMPLOYMENT RESEARCH

New research-based investments to revive Michigan's economy:



Total costs: \$873M; Total benefits: \$5.5B (2.3% of MI earnings)

Source: Bartik, Timothy J. 2009. *What Should Michigan Be Doing To Promote Long-Run Economic Development?* Upjohn Institute Working Paper No. 09-160. Available at: <http://www.upjohninstitute.org/publications/wp/09-160.pdf>

W.E. UPJOHN INSTITUTE
For Employment Research

Universal Pre-K

- 18% of Michigan's 4-year-olds currently in state pre-K
- Expanding to 70% would cost \$298M
- Present value of earnings benefit: \$827M

2

Career Academies

- 200 students, grades 9/10-12
- Career theme, partner with employers
- Costs \$2,200 per student
- Annual earnings effect: \$2,800
- 20% of MI 9th graders: cost of \$69M
- PV earnings benefit: \$757M

3

Customized Job Training

- **10-16 times as effective as tax incentives (Hollenbeck, Hoyt)**
- **Michigan: \$30 million below past levels**
- **\$30 million increases present value of earnings by \$900 million**

Manufacturing Extension

- **8 times as effective as tax incentives**
- **Quadrupling current efforts would cost \$21M**
- **Present value of earnings benefit: \$597M**

Conclusion

- Investments can boost Michigan's long-term economic development
- Requires a political culture that focuses more on the long-term
- Long-term focus might be changed with state-chartered research institution that focused on long-term issues. (Model: Washington State Institute for Public Policy)

6