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# There is a disconnect between economic development programs and economic growth

Job growth in Michigan is well below the national average

By James M. Hohman | June 2024

Michigan lawmakers have approved \$4.4 billion in selective business subsidies so far this term and have proposed billions more. The subsidies are billed as economic development programs. Who doesn't want more economic development? Yet, people should notice that it's all a show.

Economic development programs are not required to develop the economy. The federal government pays good money for surveys to provide numbers about jobs, income, unemployment and a host of other economic statistics to measure states' economic growth. Whether economic development programs improve the state's economic situation is irrelevant to policymakers. Lawmakers keep awarding deals regardless of whether they influence the state's economic trends.

It doesn't have to be this way. It would be easy to add performance requirements to state economic development programs. State administrators already forecast the baseline growth of the economy. When lawmakers add economic development programs,

they can estimate the growth they expect to result. That's the stated intent, after all.

Performance requirements would tell lawmakers if their plans are working or not. People can check to see if the plans are doing what they were supposed to and are improving state economic growth.

Yet legislators never require economic development programs to develop the economy.

The Michigan Business Development Program is not required to develop businesses. It hands out money from taxpayers to select businesses, and the deals are not even required to make the businesses do anything they wouldn't have done.

The proposed High Wage Incentive Program for Regional Employment is not required to increase wages or employment.

The Transformational Brownfield Program is not required to transform anything.

“**Whether economic development programs improve the state's economic situation is irrelevant to policymakers.**”

Lawmakers approved hundreds of millions in extra subsidies to “build on Michigan’s growing economic momentum,” as Gov. Gretchen Whitmer said. The handouts are not required to improve the state’s economic momentum.

I asked lawmakers to add performance requirements to a new program they considered in committee this year. There was no interest.

The reason economic development programs have no requirement to develop the economy is simple. These are political programs that serve political ends. Everyone wants jobs. Handing out money to select companies ties elected officials to promises of particular jobs, which shows they’re doing something about jobs. It’s a good story.

There is a perennial political demand to do something about jobs. Lawmakers want to do popular things, and jobs are popular. So politicians are happy to hand out money to businesses that ask for subsidies. They can talk about jobs, development, and transformation regardless of the state’s economic performance. They buy job announcements at taxpayer expense.

So far this term, the state’s economic development administrators issued 57 press releases saying that they had awarded businesses \$430 million for 17,311 jobs. Whether companies create the jobs that were announced or collect state assistance is a question that lawmakers don’t seem to care much about.

Michigan’s economy, on the other hand, increased jobs by 1.8% over the period, well below the 2.5% national average.

Michigan’s economy has been falling behind. Economic development programs won’t do anything about this, but they let lawmakers pretend the state’s economic performance will improve.

There is a better way to do economic development. States with more economic freedom have better economic outcomes. Lawmakers can let people keep more of what they earn. They can better regulate utility providers so they provide cheaper and more reliable electricity. They can limit the burdens they place on people seeking to work in Michigan. My colleagues and I have plenty of recommendations to boost economic performance.

The basics matter to economic growth. And they matter much more than the economic development programs that are unaccountable for economic development.

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